Urban Entrepreneurialism and Creative Destruction: A Case-study of the Urban Renewal Strategy in the Peri-centre of Santiago de Chile, 1990-2005

A thesis submitted to University College London for the degree of Doctor of Philosophy

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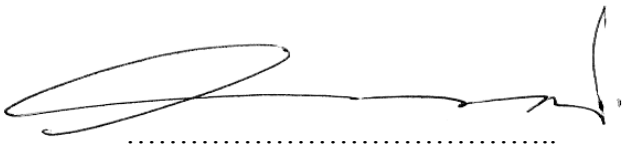
Declaration

I, Ernesto López, confirm that the work presented in this thesis is my own. Where information has been derived from other sources, I confirm that this has been indicated in the thesis.



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Abstract

Since the early 1990s, urban renewal in the peri-centre (inner city) of Santiago de Chile – a metropolis where urban development is part of a strategic national economic agenda – has produced high-density blocks and large-scale redevelopments in decayed neighbourhoods. However, as the rent gap theory suggests, urban decay may be not a 'natural' process but a form of market regulation that seeks to devalue both the building value (BV) and the capitalised ground rent (CGR), increase the potential ground rent (PGR), and therefore produce a rent gap large enough to attract large-scale redevelopers to these areas.

Based on a case study of the south-western peri-centre of Santiago from 1990 to 2005, this thesis documents: first, significant variations in the CGR in the peri-centre and diverse forms of accumulation of the rent gap by large scale developers. Second, the roles played by the state in subsidising this market and regulating the rent gap through local master plans and national building guidelines. Third, the uneven application of housing upgrading programmes by many peri-central municipalities that limit alternatives to mid-density urban renewal, and the effects produced by the devaluation of the CGR in the use and exchange land values of peri-central neighbourhoods. Fourth, the capacity shown by organised neighbourhood communities to create alternative forms of control of PGR increases.

The thesis concludes that, although the rent gap theory provides an effective tool to examine the political and economic conditions leading to gentrification, it needs to be contextualised for Latin America. Control of the rent gap and of its uneven impacts in terms of spatial distribution and accumulation, greater social participation in the definition of urban and building regulations, and more accountable management of the housing upgrading programmes are policy issues that need to be addressed by the Chilean public sector if the current model of urban renewal is to help to improve social reproduction in the peri-centre of Chile's capital city.

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I dedicate this work to my father, Claudio, and my son, Martín.

List of Abbreviations and Acronyms

BC: Building Costs

BV: Building Value

CBD: Central Business District

CEO: Chief Executive Officer

CESCO: *Consejo Económico y Social Comunal* - Local Economic and Social Council

CGR: Capitalised Ground Rent

CONAMA: *Corporación Nacional del Medioambiente* – National Corporation for the Environment

CORDESAN: *Corporación de Desarrollo de Santiago* – Corporation for Development of Santiago

CORFO: *Corporación para la Producción y el Fomento* – Corporation for Productive Development

CORMU: *Corporación de Mejoramiento Urbano* – Corporation for Urban Improvement

CORVI: *Corporación de Vivienda* – Housing Corporation

CPB: *Ciudad-Parque Bicentenario* Project

CSDB: Case-study Data Base

CSM: Case-study method

DFL2: *Decreto con Fuerza de Ley N° 2* (1959) – Decree-Law N° 2

ECLAC: UN Economic Commission for Latin America and the Caribbean

FSV: *Fondo Solidario de Vivienda* – Supportive Housing Fund

GDP: Gross Domestic Product

GIS: Geographical Information System

GSMA: Greater Santiago Metropolitan Area

IDB: Inter-American Development Bank

INE: *Instituto Nacional de Estadísticas* – National Office of Statistics

ISI: Import-Substitution Industrialization

LGUC: *Ley General de Urbanismo y Construcción* – National Law of Planning and Construction

LOCM: *Ley Orgánica Constitucional de Municipalidades* – Law of Municipalities

LUP: Large Urban Project

LV: Land Value

MINVU: *Ministerio de Vivienda y Urbanismo* – Ministry of Housing and Planning

NBP: New Building Price

NGO: Non-Governmental Organisation

OGUC: *Ordenanza General de Urbanismo y Construcción* – National By-Law of Planning and Construction

P: Plot Area

PAC: Pedro Aguirre Cerda *comuna*

PGR: Potential Ground Rent

PLADECO: *Plan de Desarrollo Comunal – Comuna* Development Plan

PRIS: *Plan Regulador Intercomunal de Santiago* – Greater Santiago Master Plan (1960-1979)

PRMS: *Plan Regulador Metropolitano de Santiago* – Santiago Metropolitan Master Plan (1994-onwards)

RSB: *Remodelación San Borja* housing project

SEG: Socio-Economic Group

SERVIU: *Servicio de Vivienda y Urbanización* – Housing and Development Service

SIDICO: *Sistema de Información Comunal* – Municipal Information System

SII: *Servicio de Impuestos Internos* – National Internal Revenue Service

UF: *Unidad de Fomento* – Finance Unit

URS: Urban Renewal Subsidy

URSA: Urban Renewal Subsidy Area

WB: World Bank

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Introduction

A case of rent gap exploitation

In Santiago de Chile, a market of urban renewal has taken place producing high-density blocks and large-scale redevelopments in some peri-central[1] dilapidated neighbourhoods. Based on the Rent Gap Theory, the present thesis proposes that the decay of these areas might not be naturally produced but is the effect of state policies seeking to devalue the local capitalised ground rent (CGR), increase the potential ground rent (PGR) and enlarge and make possible the accumulation of a peri-central rent gap by private developers. This is illustrated with the case of Pedro Aguirre Cerda (PAC), a peri-central *comuna*[2], for the period 1990-2005.

Amidst an international economic context that propels urban centres to compete for access to global economic spheres (Sassen, 1996), since the 1990s, most Latin American cities attempt to expand their CBDs and restructure their declining inner cities, promoting restoration of colonial heritage, repopulation and the allocation of local- and international-scaled financial functions, whilst trying to boost their local property markets (Rojas, 2004). Since 1990, with a return to democracy after 17 years of dictatorship, and with the highest national GDP growth rate in more than 30 years, a process of restructuring began in the peri-central area of Santiago, first through a high-density state-financed Urban Renewal Subsidy (URS) programme aimed at attracting

[1] Whilst 'inner city' can be described as "an ill-defined area close to the central business district in capitalist cities, usually associated with dilapidation, poor housing and economic and social deprivation" (Johnston, 2000a: 396) and currently target of intense processes of either regeneration or gentrification (depending on the observer's political stance), 'peri-centre' is a slightly more specific, policy-related concept used in Chile. Peri-centre refers to the inner city, excluding the central area and its immediate surrounding ring. The justification for this distinction lies in the extended use of the term by scholars and policymakers in Chile, and its direct association to specific *comunas* and neighbourhoods surrounding the metropolitan core in Santiago. Both the terms 'peri-centre' and 'inner city' are utilised in this thesis depending on the context. Further definition in Appendix 1-Glossary.

[2] Local territory governed by a municipal authority. This thesis uses the term *comuna* to refer to a local territory, while 'municipality' corresponds to its local authority. Greater Santiago comprises thirty four *comunas*. For definitions of public organisations, laws, schemes, acronyms and other concepts written in italics, see Appendix 1-Glossary.

professional middle-classes into a broad but well-delimited Urban Renewal Subsidy Area (URSA). This policy was officially justified by the need to repopulate Santiago-Centre *comuna*, converting it into a preferential target area for metropolitan residential migrations (Arriagada *et al.*, 2007). Within fifteen years, the URS was successful in promoting the renewal of an important part of the 19th-century historical neighbourhoods (usually the most fashionable areas of the city) but unable to operate in many peri-central districts considered as 'too risky' by private realtors.

To overcome the perception of risk, a second complementary strategy launched in the 2000s by central state agencies focuses on large and emblematic peri-central brownfield sites. The goal was to target usually decayed industrial areas or ageing infrastructure as sites for large and long-term developments underpinned by even higher state incentives[3]. What best epitomises this second strategy is the conversion of the former Cerrillos international airport into *Ciudad-Parque Bicentenario* (CPB), a projected 250-hectares new citadel surrounded by freeways, containing high-density middle-class housing, offices, a 'Central Park' and several additional amenities, closely connected to fast transport infrastructures (Galilea, 2006b).

From 1990 to 2005, in a context of competition among municipalities to attract private capital (following Santiago-Centre's example), practically all the peri-central local governments, technically supported by the Ministry of Housing and Planning (*Ministerio de Vivienda y Urbanismo*, MINVU), transformed or attempted to transform their local urban regulations[4] in order to maximise the potential of their local space to accelerate existing or new urban renewal processes. Nonetheless, as observed in 11 *comunas* of Santiago, most of them peri-central, many of these governmental attempts to produce new, more flexible urban guidelines have been opposed by local social organisations that see those regulatory changes as potential drivers for heritage destruction and/or gentrification (MINVU, 2008a). As this thesis shows, the mobilisation of Pedro Aguirre Cerda (PAC) *comuna*'s grassroots communities for an

[3] The transfer of underused, large urban spaces from public to private ownership at minimum or zero cost, and the inclusion of these spaces within URSA.

[4] See www.conama.cl/rm

alternative redrafting of their local Master Plan, between 2003 and 2005, is a recent illustration of this form of resistance.

A theoretical proposition

Pedro Aguirre Cerda (PAC), like most of the peri-central space of Santiago, was developed by state policies that, from the late 1950s to 1973, built social housing at a mass-scale and provided support for upgrading housing in squatter settlements (known as *poblaciones*). These elements were vital parts of a national project of intense modernisation and industrialisation of the city (Castells, 1974, 1985b, 1997; Kusnetzoff, 1975). General Pinochet's national programme of neoliberalisation between 1975 and 1990 ushered a first stage of creative destruction, de-industrialising the space, eradicating many grassroots enclaves, and rolling-back the up to then powerful state urban and housing apparatuses (Collins and Lear, 1995), separating jobs and residences, producing demographic impact and social deprivation, and further reinforcing several decades of peri-central decline (Chateau and Pozo, 1987; Kusnetzoff, 1987). Nevertheless, most of this space subsisted and crystallised in the current peri-centre (Finn, 2006a). Paradoxically, the neoliberal approach to urban regularisation during the 1980s was based on massive issuing of land titles in Santiago's *poblaciones*. This explains the current high rates of land-ownership in the peri-centre, a characteristic that turned the struggle for the redrafting of PAC local Master Plan into a conflict between proprietors and the state.

From this historical standpoint, the present thesis proposes the following hypothesis:

The expansion of privately-led urban renewal toward the peri-centre of Santiago from 1990 to 2005 is based on a second wave of creative destruction, promoted by an entrepreneurial state seeking, as part of a broader policy of urban redevelopment, to increase the existing rent-gap which is therefore captured by large scale property developers.

This proposition is explained as follows. Essentially, the dialectical oxymoron creation-destruction is inherent to the production cycles of capitalism (Schumpeter, 1976). For

Harvey (1990, 2006b), urban regions and infrastructures that work as centres of accumulation are created and must be ultimately destroyed, because new technological advances (e.g. telecommunications, transportation) make them obsolete. But among all commodities, the city is probably one of the hardest to be destroyed and replaced (Harvey, 1996; Weber, 2002). Hence, in global post-Fordist times, when capital massively shifts from primary (commodity production) to secondary (real estate) circuits of capital, the process of creative destruction in the city becomes crucial for preserving the stability of the capitalist mode of production and its forms of accumulation (Harvey, 1985, 1989b).

Consequently with these structural trends, urban decline is produced when large scale land-owners, investors or financial institutions stop committing capital to the preservation of deteriorating neighbourhoods and turn to investing in the development of different areas. The latter creates a huge difference between the actual land rent (lowered by the dilapidated state of the buildings sited there) and a potential land rent which is, in market terms, the highest and best use that the plot could host. This difference is called 'rent gap' (Smith, 1979, 1987, 1996b).

The continuous process of urban land devaluation increases the rent gap to an extent that the potential maximum exploitation and appropriation of the rent by developers becomes highly profitable. This process, experienced in the industrialised world over the past three decades, when fordist industrial regions started to be abandoned as capital searched for (post-Fordist) landscapes that offered better economic advantages (Smith, 2000a, b), seems to also take place in global peripheral contexts, like Chile's, through similar urban strategies of landed capital expansion (Smith, 2002).

A common denominator in central and peripheral countries' strategies for inner city redevelopment might be a widespread model of urban entrepreneurialism, which integrates local 'boosterism'[5] with the use of governmental powers seeking to attract private sources of funding, new external investments and/or new employment (Leitner, 1990; MacLeod, 2002). Entrepreneurialism means that initiatives for urban

[5] Closely related to a free-market doctrine (Sheppard, 2005), local boosterism is based on the idea that certain leading figures, usually from governmental apparatuses, or in alliance with these, are indispensable to promote local growth (Mattson, 2005) or position a city in the global arena.

reconfiguration are no longer rationally planned and developed under managerial rationales but, conversely, speculative in execution and design. They also aim to redevelop predefined specific places rather than comprehensive hinterlands, even if the latter are spaces in need of investment for social development (Harvey, 1989a). Entrepreneurialism is twinned with a planning ideology, that has globally become a widespread rationale, of exploiting images of urban regeneration oriented to attract 'creative' middle-classes (Florida, 2002a, b).

Yet, distinctively, entrepreneurial urban policies and governance oil the transformation of 'hard' working-class interstitial areas, by socially 'cleansing' the space and undervaluing existing social milieus, in ways that have been called 'revanchist' due to the class contradictions they involve (Atkinson, 2002, 2003a, b; Coleman *et al.*, 2005; Niedt, 2006; Smith, 1996b, d, 1998, 1999). A form of entrepreneurial creative destruction might be a sort of state-led redlining that takes place in owner-occupied spaces, where although local inhabitants attempt to avoid cycles of devaluation through modest investments in repair and maintenance, the state apparatus does not provide regulatory frameworks for social housing improvement (Aalbers, 2006; Smith, 1982).

The hypothesis stated above has been seldom tested in a semi-peripheral, 'third-class' world city like Santiago de Chile (Kim, 2008; Taylor *et al.*, 2002), where the theoretical definitions of rent gap and entrepreneurialism might not be applicable. Therefore, in order to avoid incorrect hermeneutics, this thesis' theoretical contextualisation needs to consider several particularities of the case of Chile: first, Chile in the 20th century did not enter properly into Fordism but rather a sort of developmentalist mode of regulation that created a particular peri-central space. Second, the Chilean urban apparatus is radically different to urban states in most industrialised countries, regarding budget, scale of operation, objectives and the lack of comprehensiveness of its social programmes. Third, the Chilean system of land taxation is nationally rather than locally redistributed. Thus urban entrepreneurialism in Chile might be expected to be more reliant on the central-state apparatus. However, as ideology, entrepreneurialism might be diffused from central government towards local administrations, heavily influencing the drafting of their policies and programmes.

The general objectives of this thesis are three: first, to illustrate historically the production of the peri-central (inner city) space of Santiago from 1930s to 1990; second, to ascertain and represent graphically the existence of a rent gap produced in the peri-centre and PAC between 1990 and 2005; third, to examine how Capitalised ground rent (CGR) is devalued and potential ground rent (PGR) is valued in the peri-centre from 1990 to 2005. Based on these objectives, the general structure of the thesis is explained next.

Structure of the thesis

CHAPTER 1 outlines the methodology of the research. The existing theory and the need to understand the case from a historical perspective justify a deductive approach based on a literature review. But the contesting social nature of the case also requires an interpretivist stance, based on fieldwork and direct contact with participant actors. Following single-case study methods (Flyvbjerg, 2006; Ragin, 1992, 1997; Yin, 2003), the case is examined both quantitatively and qualitatively. Changes in land price and land use are observed using GIS in order to understand the general evolution of the rent gap in PAC and its surrounding area, between 1990 and 2005. Approaches to participant actors, conducted in 2007, were useful for analysing the political and social implications of the rent gap.

CHAPTER 2 develops the theoretical proposition of the thesis, focusing on the concepts of Urban Creative Destruction, Rent Gap and Entrepreneurialism. These theoretical elements are appropriate for examining aspects of peri-central renewal, otherwise impossible to observe, such as the institutional roles and mechanisms exerted by central and local state and other public and private actors in the redevelopment of the peri-centre of Santiago, and PAC in specific. Research questions, hypothesis and objectives are outlined at the end of the chapter.

Based on bibliographical sources, historical data and interviews, CHAPTER 3 traces the production of the peri-central space of Santiago during the 20th century as an interaction of four factors: import-substitution industrialisation, class-monopoly urban rent exploitation, state urban and housing systems and emerging urban social movements.

The chapter is relevant to understand what the peri-centre means today, describing also its first process of creative destruction, exerted both at primary (local industrial sector) and secondary (property market) circuits of capital during the military dictatorship (1973-1990). An important conclusion is that the peri-centre is a space that can be related to a powerful working-class consciousness, which might be still operative.

CHAPTER 4 outlines the socio-economic and policy characteristics that currently shape the peri-centre of Santiago, analyses its main demographic shifts through census data, and identifies its zones of deepest decay. The two strategies of peri-central redevelopment that have taken place since 1990 are examined: the Urban Renewal Subsidy (URS) and the *Ciudad-Parque Bicentenario* (CPB) project.

CHAPTER 5 describes the effects of the market of urban renewal on the uneven valuation of capitalised ground rent (CGR) in Pedro Aguirre Cerda (PAC), San Miguel and Cerrillos, from 1990 to 2005. The latter two *comunas* experience 'forces of renewal' that may affect PAC, and they are also examples of what PAC could become in the near future. A more specific analysis produces an estimation of potential ground rent (PGR) in four areas of PAC, which were those most targeted by the municipality for urban renewal. These areas show an embryonic rent gap raised by the existence of the Urban Renewal Subsidy (URS) and *Ciudad-Parque Bicentenario* project (CPB). However, as already mentioned, the process of local Master Plan redrafting – in fact the local government's attempt to produce a new master plan between 2003 and 2005 – was contested by the local community, which prepared a counter proposal. The potential ground rent arising from that proposal is also analysed in the chapter.

CHAPTER 6 focuses on the political implications of the redrafting of the Master Plan in PAC. The municipal government seems to have attempted to take the local grassroots out of the process, in spite of their willingness to intervene in it. Local people joined in several groups and unified in a single movement aimed at gaining control over the new plan. They identified several effects that the new master-plan might bring: important urban areas might disappear and inhabitants might move out of the neighbourhoods, crucial problems of dwelling-overcrowding might be left unresolved, and their capitalised ground rent (CGR) could become worthless if simply traded at the current prices defined by market rules. The chapter analyses the roles performed by three

specific actors (the community, the municipality and the private technical consultant firm hired by the municipality) that intervene in the process, their motivations, agendas and achievements.

CHAPTER 7 examines the two mechanisms that contribute to devaluation of CGR in PAC. First, the National Law of Planning and Construction (*Ley General de Urbanismo y Construcciones*, LGUC)[6], which currently restricts low-income housing upgrading and densification. Second, inadequate implementation at municipal level of the central-state *Fondo Solidario de Vivienda* (Supportive Housing Fund, FSV) programme, aimed precisely to fund micro projects of small scale renewal in low-income areas, but visibly underperformed in PAC and many other southern peri-central *comunas*. The evidence suggests that the underperformance of the FSV programme may be a characteristic of the municipalities that have more aggressive agendas for urban renewal.

Advancing conclusions

CHAPTER 8 outlines the theoretical and policy conclusions of the research. Despite the limitations inherent in any single-case study, the present research offers considerable evidence to support the hypothesis. Large rent gap areas exist amidst zones where the rent gap seems to have been closed, in the southern and western areas of the peri-centre of Santiago. These different levels of closure depend on for how long and how deep the market of urban renewal has been developed locally. In general, the evidence collected leads to conclude that: a) in Santiago the rent gap is not 'naturally' produced simply by the market, but helped to be produced through national and local regulations; b) although the potential ground rent can be increased through policy, its value can only be realised by the oligopoly of building firms that control the market of high-density renewal and that decides which space is to be renovated and which not (this is a main factor for uneven peri-central development); c) the current ground rent, to be capitalised by current low-income owner-occupiers, is kept low through 'institutional' mechanisms at national and local levels, that restrict the chances for mid-scale upgrading and so impede a social capitalisation of part of the rent gap. Based on these factors, a central

[6] See Appendix 1-Glossary for reference.

conclusion is that there are two types of capitalised ground rent, based on these uneven scales of accumulation. These two types are a low CGR-1, capitalised by current small owners, and a higher CGR-2, exclusively capitalised by large scale developers.

It is also apparent that the current creative destruction in Santiago's peri-centre is not only a replacement of obsolete built stock but might also be an attempt to politically undermine consolidated popular *poblaciones* (former squatter settlements) seen as stumbling blocks to entrepreneurial forms of urban redevelopment, due to their high capacity for organised political contestation. The historical production of Santiago's inner city, partly based on active social movements, explains these higher-than-average capacities for social struggle and for modifying municipal agendas (acting always within institutional channels) but not impacting severely on policies of the central state. However, the central state sees these forms of contestation, like those of the inhabitants of PAC, as 'irrelevant pitfalls' in a generally successful process of redrafting local master plans in Greater Santiago (amidst the national process of *Reforma Urbana*; see Appendix 1 for definition). This fact denudes both the resistance by the Chilean urban state apparatus to include alternative actors into its mechanisms of regulation and the high levels of formality and institutionalisation that characterise the post-dictatorship social movements in Chile.

Chilean urban entrepreneurialism appears more fragmented than cohesive, showing internal contradictions among different government agencies and a diversity of developmental goals. The contradiction rises between, on the one hand, the promotion of privately-led urban renewal (including large external capital investment) and, on the other, programmes for low-income dwelling densification and neighbourhood upgrading. This seems a crucial matter that still lies unresolved by the public sector.

It is important to stress that the tension observed between change and stability is inherent to any historical process of urban development, especially in metropolitan peri-central spaces in need of infrastructural and social improvement. The issue is what kind of change is more appropriate for Santiago's areas. Since the liberalisation of PAC land has proved so far unsuccessful, it seems important to rely on alternative frameworks for the social accumulation of the rent gap, i.e. the redistribution of an increased CGR-1 (the low level of capitalised ground rent) among existing homeowners. More

appropriate building regulations and mechanisms of direct subsidisation to social housing upgrading might be needed as important leverages to, on the one hand, reverse the current negative demographic trends in the peri-centre and, on the other, consolidate peri-central people's right to the city[7].

Chile and the Greater Santiago Metropolitan Area (GSMA): an overview

As mentioned above, this thesis seeks to illustrate the existence of a latent rent gap produced in Santiago's peri-centre, the influence of central-state and municipal building/planning policies in the enlargement of the rent gap, and a local urban movement that struggled to close the rent gap. The high levels of citizen mobilisation can be explained by the historical production of Santiago's peri-centre, namely a particularly complex articulation of industrial and residential milieus with high levels of working-class consciousness, developed in times of import-substitution industrialisation (ISI) between the late 1930s and 1973 (Salazar, 2003)

However, as will be illustrated in CHAPTER 3, Chile is also relevant for this thesis because of its already advanced process of urban neoliberalisation. The latter started earlier in the 1970s and lasted longer than in most Latin American countries (Sader, 2008), underpinned by state policies applied with an 'iron fist' during its last and longest military dictatorship (1973-1990). This point is relevant because, as will be examined later, the current Chilean entrepreneurial model of urban redevelopment, in many ways inherited from the dictatorial process of neoliberalisation, contradicts the particular urban fabric and social milieu of historical Santiago's peri-centre. Hence, for me as a researcher, Chile offers a strategic context of study because of my understanding of my own country's people, history and interpretation of current events,

[7] In Marxian terms, the demand from the working class to recover the use value of a previously commodified urban space (Lefebvre, 1996; Merrifield, 2002).

which is greater than that of any other national context[8]. Some general data about Chile and its capital Santiago are outlined next.

Chile is a South American country. Its territory occupies a long and narrow coastal strip between the Andes Mountains and the Pacific Ocean, bordering Peru and Bolivia in the north and Argentina in the east. It is 4,300 kilometres long and on average 175 kilometres wide, encompassing nearly 757,000 square kilometres of land area (Figure i).

The Santiago Metropolitan Region, one of the current 15 regions of the country, comprises an area of 15,403.2 km^2 and includes Greater Santiago Metropolitan Area (GSMA) as the capital of Chile. In 2006, the metropolis covered 641.4 km^2 or 64,140 hectares. The city is located at an average elevation of 520 m in the country's Central Valley. Similarly to almost all Latin American cities, most of the national central state is located in the capital, with the exception of the National Parliament which meets in the city-port of Valparaíso. According to the 2002 national census, the population in the GSMA was 5.4 million people, about 85% of Santiago's regional population, which was 6.3 million. The regional population in turn represents around 40% of the national population (INE, 2005). This element shows the high urban primacy[9] of Santiago, a feature that is reinforced by the fact that between 1996 and 2004, the Region of Santiago (i.e. the GSMA and its suburban centres) produced 43.5 % of the national GDP (Banco Central de Chile, 2005).

The GSMA comprises 34 *comunas* (see Figure ii). Further local sub-centres located within Santiago's Region are excluded from this study, for they have become only recently part of the expanding conurbation of the metropolis, since 2000 approximately (Trivelli, 2008).

[8] There is also a material reason: the funding of my PhD comes from the Chilean government. One of the conditions securing my scholarship was to analyse current urban policies being applied in the country.

[9] Concentration of urban population in the largest city of the country, as it exceeds more than twice that of the next largest urban areas (Chase-Dunn, 1985).

Figure i. Chile in South America, Santiago Metropolitan Region and Pedro Aguirre Cerda (PAC) *comuna* in red

Source: own elaboration based on Microsoft Virtual Earth

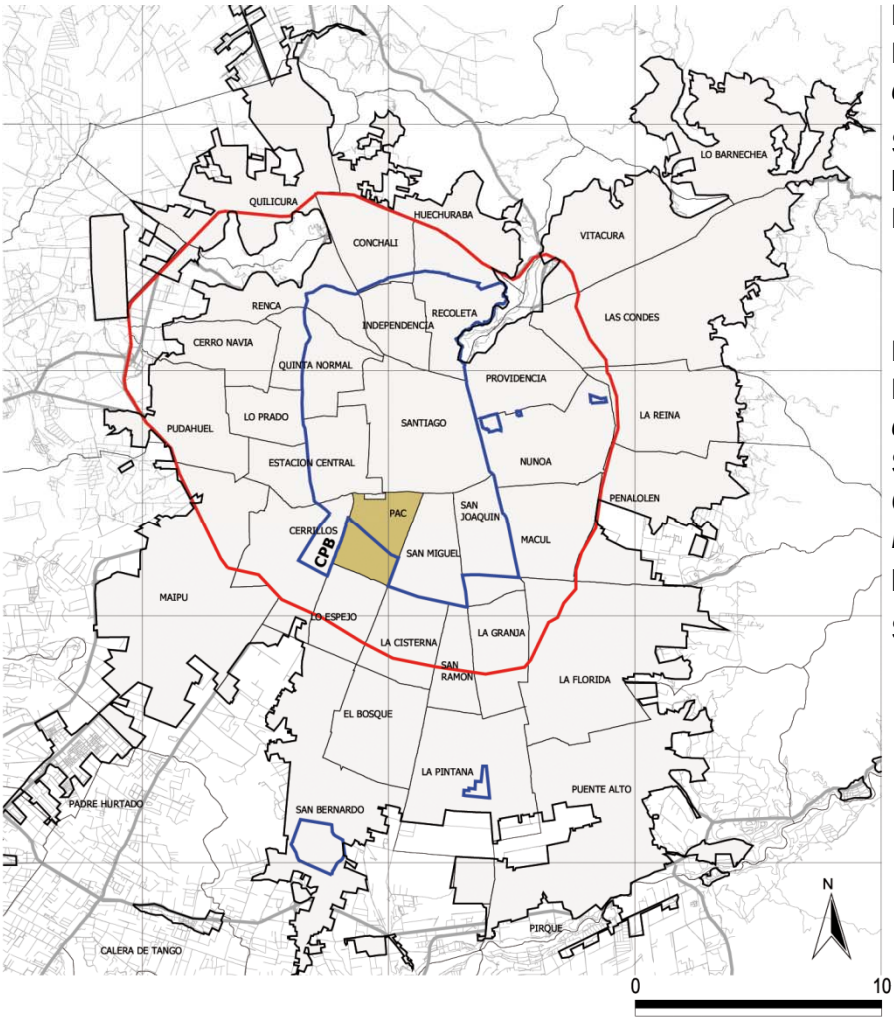


Figure ii. GSMA with Pedro Aguirre Cerda (PAC) *comuna*, Urban Renewal Subsidy Area (URSA) and *Ciudad-Parque Bicentenario* (CPB) project

Source: own elaboration

Santiago is where the country's "most important functions of general direction, planning and control of the emergent productive apparatus" concentrate (De Mattos, 2000: 50), and is also the country's main manufacturing centre, despite a radical process of deindustrialisation in the 1970s and 1980s. Between 2003 and 2006, 44% of all Chilean manufactures were produced in Santiago (Banco Central de Chile, 2008), and these represented around 17% of the Region of Santiago's gross regional product[10].

Santiago is also probably the third financial centre in South America (after Sao Paulo and Buenos Aires). International institutions like UN ECLAC (Economic Commission for Latin America and the Caribbean) have their offices there. Due to the expanding national and regional service- and finance-oriented economy, and due to the relative political stability of the country since the 1990s, many multinational companies have located their regional headquarters in Santiago, such as HP, Reuters, JP Morgan, Intel, Coca-Cola, Unilever, Nestlé, among others.

As mentioned above, a process of de-industrialisation occurred during the 1970s and mostly affected Santiago's hitherto industrial peri-central *comunas* (Gatica, 1989). A subsequent process of re-industrialisation occurred during the 1980s in some peripheries of Santiago, generating a recovery of Greater Santiago Metropolitan Area (GSMA), especially its periphery, as the highest concentration of manufacture in the country (De Mattos, 2000). This is due to the city's better conditions such as access to credit, high concentration of population and qualified workforce, access to the inputs and to distribution channels for outputs, and adequate and reliable levels of water and energy supply. Both processes of de-industrialisation and re-industrialisation are important to understand the current peri-central space and the causes of its redevelopment since 1990. These two issues are examined in more detail in chapters 3 and 4, respectively.

[10] The other main sectors are: financial services (28%); commerce, restaurants and hotels (15%); 'personal services' of education, health, etc. (13%); transport and communications (12%); properties and construction (14%) (Banco Central de Chile, 2008).

CHAPTER 1. Epistemological approach and research methodology

1.1. Introduction

The first step of this thesis is to introduce its epistemological approach and research method. As outlined in section 1.2, the research is based on an interpretivist and deductive-inductive epistemology, while micro observations of the local space and social narratives become instrumental in helping to reveal the social implications of the creative destruction of Santiago's peri-centre. In terms of methodology, this research is a single-case study, the phases of which are detailed in section 1.3. Sections 1.4 to 1.6 justify the selection of the case, and explain the fieldwork and the quantitative analysis conducted. Finally, section 1.7 summarises the basic points of the methodology.

1.2. Epistemological stance

1.2.1. A non-positivist, inter-subjective and interpretivist approach

As anticipated in the introduction, this thesis proposes the hypothetical existence of a rent gap in the peri-centre of Santiago and, as a consequence, the existence of discourses and practices of urban renewal based on an ideology of entrepreneurialism. Whilst the first part of the proposition (rent gap) is a fact that can be measured, the latter aspects cover contradicting opinions and policy definitions. This confirms the need of an interpretivist standpoint (that does not judge but attempts to understand what the rationales are for those ideas). It also stresses the researcher's own position in the case, especially when political and social aspects of class emerge and reinforce the need for non-positivist perspectives that lend credence to evidence from individual and societal experiences.

Nevertheless, positivism is fundamental for scientific research. It has the capacity of building a form of cumulative knowledge based on paradigms of falsification, also

providing precision, reliability and measurability to science if ‘the correct method’ is employed. Essentially, all theories are conjectural and thus open to refutation since at the end of the day there is no logical distinction between theories and hypotheses (Popper, 1998a). Science could hardly make progress in the absence of laws upon which to build new knowledge, since the whole realm of physical sciences rests upon the shoulders of positivism.

However, unresolved crucial aspects of positivism emerge when facing the conflictive meanings of truth and the ability of science to research in complex social contexts (Williams and May, 1996). If knowledge rests in the researcher’s reliability, based on evidence acquired through reliable processes that assure ‘scientificity’, an epistemological conflict arises when the gathering of evidence is not secured and depends on external conditions, out of the researcher’s control. Thus reliability (the grade of security about what we see) is not always a sufficient condition for establishing ‘reality’ (Sturgeon, 1998: 25-6). Furthermore, often in social science many variables are consciously or unconsciously ignored by researchers, leading to too limited conclusions. So, what is the point of insisting in reductionistic approaches, or in research that aims to build total explanation from a reduced number of variables? In social sciences it seems size does not matter, but complexity does.

And there is another problem. Quite often what we see can be an illusion hardly separable from what we believe and our own (political, moral?) standpoint. According to Berg (2004), any epistemological approach whether positivist or relativist is inevitably biased by the researcher’s previous background and beliefs. An appropriate method is thus not only a rational matter but also a process where personal inclinations and the researcher’s own history intervene. Not only can a human social situation not be explained only through factual empirical observations, but also there is no unique truth regarding that situation. External tools and methods, independent of the ‘object’ of study, usually associated with positive science, seem insufficient given that the ontological (philosophical) and epistemological background of the researcher are important components of the cases to investigate.

Because of the ontological background of the researcher, the high complexity of a case (number of variables) and the several (uncontrollable) human dimensions involved in it,

an explanatory research might depend more on the relativity of discourses and interpretations of the participants than on simply positive facts. This is precisely what intersubjectivity means: an important starting point towards the acceptance of many simultaneous versions of the truth, which is at the end of the day a matter of consensus or even belief (Williams and May, 1996: 37-8). Interpretivism is, in turn, an approach that understands (not judges) the complexity of social realms[1].

However, although purely positivism is disregarded for its limitations when facing the complexity and comprehensiveness of social contexts, it is accepted that objective facts can nurture the understanding of a case study. Table 1.1 briefly examines 14 specific aspects of research, considering the positivism/interpretivism dichotomy, and my predominantly (though not entirely) interpretivist positioning.

Some aspects of the table need explanation. The research's 'logical form' (1) is here closer to deductivism due to the complexity of good theoretical explanation existing in the literature. However, for the intrinsic nature of a Case-Study Method (CSM), this deductivism is oriented toward theoretical adaptation, in a reflexive process that could eventually be understood as semi-inductive. In regard to 'analytic method' and 'population' (9, 10), both approaches are considered, since quantitative data and qualitative information are vital for observing, on the one hand, demographic and ground rent variations and, on the other, developmental discourses or interviewees' speeches, at large (metropolitan) and small (neighbourhood) scales. No sampling method (11) is used to select the single-case or the informants, but an in-depth analysis of the current process of peri-central renewal and its socio-political effects in particular areas was conducted at the beginning of the fieldwork. Some disagreement with Aunger's model arises, since the 'philosophical anthropology' approach (6) of this research is neither mechanistic nor teleological. On the contrary, new and non-presupposed outcomes are expected as positive elements inherent to case-oriented research (Ragin, 1997). Furthermore, the 'presentation style' (aspect 14) pursued here is

[1] Interpretivism and intersubjectivism are crucial concepts for this research. Although the case studied here is controversial, with the several actors' views often opposed, I assumed all of them provided true information. However, when evident contradictions between informants emerged, what prevailed was the consistency of the information they provided compared with the bulk of data collected. Fortunately, no important inconsistencies were found. See 1.5.1 for further explanation of this point as criterion for data collection.

much closer to the dispassionate than the evocative, yet this only comes from my own writing style.

	Aspect	'Scientific' / Positivistic	'Humanist' / Interpretive
1	Logical form	Deductive/ 'theory testing' (theory ➔ data ➔ theory) Reflexive semi-inductive	Inductive/ 'theory building' (data ➔ theory)
2	Epistemological stance	'objective' (separation between observer and observed)	'subjective' (interpretation of perception)
3	Temporal framework	Static (i.e. equilibrium assumed) / abstract regularity of correlation	Processual / historical
4	Model of causality	Regularity of correlation	Mechanisms generate outcomes
5	Social ontology	'atomistic' / realist	'structural' / constructivist
6	Philosophical anthropology	Mechanist / behaviourist	Teleological / intentionalist
7	Units of analysis	Variables	Themes / motifs
8	Data collection methods	Survey, formal interviews/questionnaires	Participant observation, interactive interviewing, introspection
9	Analytic methods	'quantitative' (i.e. statistical tests)	'qualitative' (i.e. narrational)
10	Population / scale	Large (macro scale)	Small (micro scale)
11	Sampling	Representational (e.g. random)	None, or ad hoc
12	Quality assessment criteria	Validity, replicability	Contextual equivalence, authenticity, stimulus for social action
13	Research goals	Description / generalisation / prediction / causal explanation	Understanding / social critique / advocacy
14	Presentation style	Dispassionate / informal	Evocative / inspiring

Table 1.1. Researcher's positioning within the two paradigms of social science research

Source: based on Aunger (1995: 107) with adaptation in point 1

1.2.2. Deductivism and inductivism combined

As already observed, in in-depth social research it is almost impossible to isolate problem from context. But context is not only external factors but also internal – psychological and ontological elements that configure a researcher's own psyche. The nature of the research rests on our own history and capacity for understanding our surrounding context (Yin, 2003). These filter our own ontology as researchers, our own political thought and even our own disciplinary biases. What 'I have studied and know' nurtures what 'I believe', yet dialectically, the opposite happens too.

Thus previous theoretical backgrounds seem vital to provide tentative explanations for a given case, as a way to constantly reinforce the understanding of reality and improving our theoretical understanding with the elements taken from 'reality'.

> Discovery in science is not just about observing the world, as passive receptors of sense data, but is dependent upon the process of active and purposive selection. Therefore, there is a constant relationship between theory and data. This still leaves the question as to how observed and theoretically constituted phenomena are actually presumed to be related to one other. (Williams and May, 1996: 19)

Therefore it might well be possible that purely inductivist approaches are insufficient for understanding complex socio-political cases. On the contrary, an approach that combines deductivism and inductivism can:

a) Be consistent if dense previous theorisation exists, a point that refers to the well known image of the researcher standing on giants' shoulders. The consistent pieces of theory to be revised in CHAPTER 2 (i.e. ecological- geographical and Marxist-based explanations) are virtually impossible not to take into account. It is equally important to analyse their pros and cons in terms of their capacity to explain a Latin American urban context.

b) Contribute to a more universal and explanatory argumentation about inner city renewal, producing conclusions with a certain degree of interest. Higher levels of analytical inference can be possible if 'helped' with previous theoretical understanding.

c) Help to achieve a finer understanding, overcoming purely inductive processes of observation. However, by no means further processes of inductive observation should be rejected, or the advantages of fieldwork disregarded. Inductive exploration is not only perfectly compatible with theory but also necessary for understanding the inherent complexity of a case, especially when a theory is to be tested in a 'new' context like the peri-centre of Santiago de Chile. However,

the level of inductiveness here planned considerably differs from pure inductivism, like grounded theory method or ethnography[2].

1.2.3. Definition of a Case-Study Method (CSM)

Usually for the complexity involved in small scale urban studies, case-oriented approaches can observe factors in their real environment, especially when boundaries between a phenomenon and its context are not openly manifest. In this fashion, Castells wonders:

> [h]ow accurate can be a demonstration based upon a limited number of case studies? […] Case studies have always been praised because they permit in-depth analysis, but blamed because of their singularity, disallowing any extrapolation of the findings. [However] from a historical point of view, all social situations are unique, and so are the findings of empirical research. […] If we want to elaborate a theory of urban social movements on the basis of historical experiences, we must observe unique situations in which a particular phenomenon, considered by our theory to be crucial, is amplified. [When we obtain] an understanding of how fully [urban social movements] relate to the evolution of cities, that we can compare mobilized and passive neighbourhoods vis-à-vis their differential effect on urban function and forms. Thus, while case studies cannot provide a systematic verification of established propositions, they are invaluable in the pathbreaking efforts of generating new theories. (Castells, 1985a: xix-xx)

Supporters of case-oriented research claim there is a clear distinction between case-oriented and variable-based approaches, these not being reconcilable in terms of units of analysis, conceptions of causality, and logic of inference (Platt, 1992; Ragin, 1992, 1997; Yin, 2003). Case-oriented research rests on in-depth explanations about the nature and effects of the process to observe. As Castells argues, the uniqueness of every case is

[2] Grounded theory's and ethnography's over-reliance on the participation and closest approximation of the researcher to the context of study implies having professional skills in social communication that I do not have. In my personal case, 'Chilean', 'middle-class', 'professional', 'scholar' are labels that made impossible pretending to act as if I was a normal *poblador*; this would have been a naïve approach close to mere 'emotional tourism' (Mattson, 1978). This is a matter of positionality (Jaggar, 1999), or having enough sensitivity to distinguish when not to force false situations or superficial observations (Longhurst, 2003). Moreover, as Garson (2007) claims, through highly participatory and unprejudiced (non-theoretical) approaches like ethnography or grounded theory, there is always a danger of underestimating material (non-cultural) causal forces, overestimating roles of community over individuals or/and introducing biased and unnecessary assumptions from the researcher's own background.

precisely an opportunity to improve the explanatory theory being tested. Case-oriented research comprehensively comprises the several variables involved in a case and its economic, social and political contexts. Without replacing statistical analysis, case-oriented research uses statistical and case-oriented methods iteratively, in a way that each method produces a need for new research tasks in areas where the other method is superior (Bennett and George, 1997a), usually with statistical studies at first. Moreover, case-oriented research provides something that variable-oriented studies cannot: it goes beyond causal correlation to a proper theorisation about effects.

Although the use of a small number (small-N) of cases has also limitations, risks and potential vulnerabilities (the case might later turn out not to be what it was thought to be at the beginning), these designs are possible to be developed in circumstances of constrained resources and time, e.g. PhD research. Yet usually too, studies with small number of cases, even single-case studies, are not a matter of election by the researcher but an inevitable problem when the events underpinning a case are unique or 'rare'. However, this requires careful investigation in order to minimize the chances of misrepresentation and to maximize the access needed to collect the case-study evidence. If these major concerns are covered, it is possible to conduct single-case research (Yin op. cit).

Single-case study is more appropriate to develop theories (hypothesis, in a *Popperian* sense) upon which several independent variables – differently combined – can interact to produce different types or levels of dependent variables. Nevertheless, it does not need to be constrained to manage isolated variables by means of statistical control. The goal of single-case studies is not to affirm or reject a correlation, but instead to identify the conditions under which specified types of events systemically interact with other factors to produce specific types of outcomes (Ibid),or in other words, the search for necessary conditions for the hypothesis to be verified.

At a pragmatic level, single-case study might be justifiable depending on what the researcher needs to know and the strategies through which he/she plans to approach the 'object'. Table 1.2 correlates the type of research question with the kind of research strategy recommended, stating material and subjective implications of each case. Case-Study Method is justified when the basic questions about a reality are *how* and or *why*,

when no contextual control is possible, and when the object of research is a contemporary event.

Strategy	Form of Research Question	Requires Control of Behavioural Events?	Focuses on Contemporary Events?
Experiment	How, why?	Yes	Yes
Survey	Who, what, where, how many, how much?	No	Yes
Archival Analysis	Who, what, where, how many, how much?	No	Yes/No
History	How, why?	No	No
Case-Study Method	How, why?	No	Yes

Table 1.2. Relevant situations for different research strategies

Source: Yin (2003: 5)

Whilst it is true that a single-case study like this one can only lead to limited generalisations, it can be even more valuable than variable-based studies since with limited resources it can nonetheless conclude and suggest hypothesis for future research (Harding *et al.*, 2002). The evidence collected might also be strong to prove, for instance, that a given public policy has helped to increase a rent gap and that another has led to its accumulation, or even to question mainstream ideas like the one that claims that there is no such thing as gentrification in Santiago-Centre and peri-centre (Arriagada, 2007).

1.2.4. Conceptualising and operationalising theory

As explained above, the main difference between Case-Study Method (CSM) and purely inductive approaches is the presence of a prior theoretical analysis, which in turn leads to propositional hypotheses, assuming hypothetical propositions are by themselves theories (Popper, 1998a, b). However theories, to be operative, must be processed, conceptualised and operationalised (Babbie, 2004) in a way that

> should by no means be considered with the formality of grand theory [… R]ather, the simple goal is to have a sufficient blueprint for your study, […] determining what data to collect and the strategies for analyzing the data. For this reason, theory development prior to the collection of any case study data is an essential step in doing case studies. (Yin, 2003: 29)

Harding *et al.* (2002) define important aspects to take into consideration when conceptualising and operationalising in CSM. The accent should be put on necessary – but not sufficient – conditions. A single-case study will not be able to identify whether an intervening factor is sufficient condition for a determinate effect, rather it will asses if there are some forms of correlation and hence necessary factors.

Furthermore, qualitative case-study data is valuable only if it helps to clarify the relation between results and the hypothesis. Also, a single-case study is relevant if it allows rejection of potential necessary conditions due to the collected evidence, and can suggest possible hypotheses for future case research. Therefore the literature review is a process with a specific goal, which is to develop an insightful questioning about the case to be researched.

> Conceptualisation, a mental process whereby fuzzy and imprecise notions (concepts) are made more specific and precise […] produces a specific, agreed-upon meaning for a concept for the purposes of research. This process of specifying exact meaning involves describing the indicators we'll be using to measure our concept and the different aspects of the concept, called dimensions. (Babbie, 2004: 122)

Babbie's definition implicitly leads to a subsequent sharper form of operationalisation, not based on numeric parameters or specific qualitative boundaries, but on understanding that processes and relations that produce the phenomena are complex and adaptive in time, as Castells has argued:

> [W]e have rejected the construction of a formal theory of urban social change. By a formal theory we understand a theory whose main concerns are trans-historical comprehensiveness and logical consistency. For the social sciences – whose historical and experimental character is quite unlike formal sciences, such as mathematics – the crucial test of a theory is its adequacy, rather than its coherence. By adequacy we mean the capacity of a series of intellectual tools to generate new knowledge about a given phenomenon. Following the teaching of Gaston Bachelard, we believe that the most useful concepts are those flexible enough to be deformed and rectified in the process of

> using them as instruments of knowledge. It is this capacity of enabling us to understand social processes and situations, and not the endless exercise of re-coding experience in a comprehensive paradigm, that is the actual test of fruitfulness of a theory. [However, this should] not be, a general epistemological position. Someday perhaps we will reach a cumulative and comprehensive theoretical paradigm of history and societies, but not now and not soon. In the meantime, we need humble but effective strategies of theory building that can lead us away from short-sighted empiricism without becoming lost in the artificial paradise of the grand theory. (Castells, 1985a: xix-xx)

1.2.5. Producing analytical inference

In Case-Study Method, a theory is not only a hypothesis to be tested but also an outcome to be produced. However, theoretical construction should not be aimed at leading to statistical generalisations but at constructing 'analytical inference'. The latter means that the earlier development of theory (deductive) is employed as a template for contrasting the empirical results from the case study (inductive), with the purpose of producing new, more contextualised hypotheses, in a recursive way. For this purpose, Kuhn's (1970) ideas are essential: a theory, to be operative and useful, must fulfil the five (scientific) values of:

a) **Accuracy:** it must show agreement with the results from observations made.

b) **Consistency:** not only there should be logical internal concordance among the different propositions of the hypothesis but also between these and other accepted theories.

c) **Broad scope:** the theoretical scope must extend, as much as possible, the sub-theories that it initially attempted to explain, and the findings and inferences that emerge at the end of the research.

d) **Simplicity:** the theory must bring order to phenomena that in its absence would be individually isolated and/or confused.

e) **Be fruitful:** the theory should bring up new phenomena or previously 'invisible' relationships between known phenomena (Hoyningen-Huene, 1992).

Therefore analytical inference must follow logic of replication, which means that the research hypothesis needs to be tested (or falsified) according to what the facts and interpretations of the case say. But, how should be this replication done? In the case of this research, the whole process of producing conclusions should be based on producing an Analytical Model (from the evidence gathered) and conducting a process of Pattern Matching. Both methods aim at contrasting the hypothesis with the evidence collected in the following way:

a) **Construction of Analytical Models:** The goal of this stage is to construct an explanatory model of the case which considers: context, actors, their relations and roles, instruments used and their intervention over the space, and other possible evidence that could help to explain the nature and specificity of the case.

b) **Pattern Matching:** Methodological device used for deciding if the various implications predicted by a theory match with the evidence within the case. This strategy is even accepted by quantitative-oriented researchers, because it elevates the number of observations by looking into the several 'pieces' that compound a theoretical explanation, also helping to elevate the degree of freedom (Bennett, 1997; Bennett and George, 1997a, b; Geddes, 1990; King *et al.*, 1994). A process of Pattern Matching helps to decide whether theories are or not relevant to a particular case, and need to be reformulated through a reflexive process of theorisation (Ragin, 1997). Thus pattern matching, as a process, is attempted to confront the theory (conceptual pattern) and the evidence collected through fieldwork. However, as it has been stated above, this process should be a constant rationale along the study case. A pattern matching should serve to contrast detailed descriptions of a sequence of events regarding a single case, with the supposed causal mechanisms that underlie that sequence, helping also to understand how the factors predicted by a theory operate in a case, and how they interact.

1.2.6. Limitations of a single-case study

However, some scepticism against the reliability of small-N Case Study Methods is strong among quantitative-oriented scholars. They understand CSM under logic of causal inference, with a clear distinction between independent and dependent variables, as it is in statistically-based research (Bennett, 1997; Bennett and George, 1997a; Geddes, 1990; Geering, 2004; King *et al.*, 1994; Munck, 1998). Quantitative-oriented authors believe that methods used for social and physical sciences should not be different. When investigating single events or relationships, they usually propose to insulate problem from context, with emphasis in co-variance. From their point of view, there are two classical limitations with case-oriented studies: a) the problem of 'degree of freedom' and b) the representativeness of the case (biased case-selection). These elements are examined as follows.

1.2.6.1. Low degree of freedom

It arises when the number of possible observations (cases) is equal or inferior to the number of independent variables, making the research indeterminate, with little basis for causal inferences. Variable-based analysts usually dismiss or subsume minor or less important variables, aggregating them into broader operationalisation, in order to obtain higher degrees of freedom (Bennett 1997a), and some argue – in a somewhat reductionistic fashion – that this could be also recommended for case-oriented research (Geering, 2004; King *et al.*, 1994).

Instead, case-oriented researchers do the reverse: they treat variables qualitatively in all their relevant dimensions, trying to disaggregate both 'independent' and 'dependent' ones in types and subtypes (Bennett 1997) in order to not over-simplify the level of complexity inherent to a case (for the sake of correlation) but instead understanding complex causal mechanisms that are commonly dismissed by positivistic researchers (or even the political mainstream). The latter approach constitutes an opportunity for the emergence of factors not envisaged in a first instance and opening new gates to unexpected theoretical perspectives (Ragin, 1992, 1997).

If the critique of the single-case study method is its low capacity for extracting generalisations from a single context studied, Yin seems to be right when he claims that variable-based facts are rarely based on single experiments, being instead usually based on a multiple set of experiments that have replicated the same phenomenon under different conditions (Yin 2003). The same applies to single-case study. It should be understood as a process that leads research in newer directions, to be more deeply addressed in the long term.

1.2.6.2. Representativeness of a case and case-selection bias

A case-study is not representative of a wider population, for it does not resort to the tools of statistics. A case study cannot explain nor predict broader analogous situations simply based on the representativeness of its selection. On the contrary, cases might be considered part of contingent generalisations. This means that CSM researchers are interested in finding the specific conditions that underlie a given phenomenon, instead of the frequency of occurrence of a given outcome (Bennett, 1997).

Nevertheless, the impossibility of using statistical criteria to define samples in a CSM might create a danger of biased case selection. This means, the researcher could eventually select cases, or over emphasise them, as a way to confirm his/her favourite hypothesis (Bennett and George, 1997a). Conversely, if the case or cases selected for the study are decided in relation to expected behaviours of their dependent variables, or their selection was made only among cases when it was known they would achieve some expected outcomes, there is always a risk of 'endogeneity' (Geddes, 1990; see also Appendix 4).

Therefore, according to Yin (op. cit.), triangulation is needed for gaining reliability in small-N case studies. This strategy means to replicate the same case studies following different specific methods (or through the selection of different cases). Although triangulation is ideal for CSM (especially the replication of a same case by using a different method) constraints of time and budget limit the chances to do it in this research. There are no chances to replicate the study of the case using alternative methods, in order to contest the reliability of the discovering or the meaning of the data.

To some extent, this could be considered as a major weakness inherent even to a PhD qualitative case-oriented research, like the present one. Nevertheless, it is convenient to insist that CSM is not an exact variable-based form of research but one in which goals are theoretical construction rather than statistical inference[3].

1.3. Research phases

The structure of this research is an adaptation based on Yin's (2003) model for small-N case studies. Figure 1.1 shows its five main phases: a) analysis, conceptualisation and operationalisation of theory (already explained); b) selection of the case; c) design and conduction of the fieldwork; d) analysis of the case and e) theoretical and policy conclusions. These phases are described later in this chapter.

The model proposed is iterative. It has two important feedback loops to the stage of theorisation. The first one takes place after the fieldwork has been conducted and implies a continuous process of adjustment of the preliminarily stated theory with pieces of evidence that come from the fieldwork. The second one corresponds to the conclusions of the thesis and it results from the dialectic interplay between theory and analysis, or pattern matching.

[3] Selecting a case is harder when the number of possible cases to choose is small, or when the cases to research about are rare (Harding *et al.*, 2002). Precisely this research should be considered as a rare case. In selecting Pedro Aguirre Cerda *comuna* as a case study, some degree of bias has to be accepted for the obvious limitations that probably there are not too many *comunas* within the inner city of Santiago, similar in size and analogous in spatial allocation within the potential area of expansion for urban renewal. In a nutshell, this case study makes statistical generalisations impossible, given the historical and geographical uniqueness of the case.

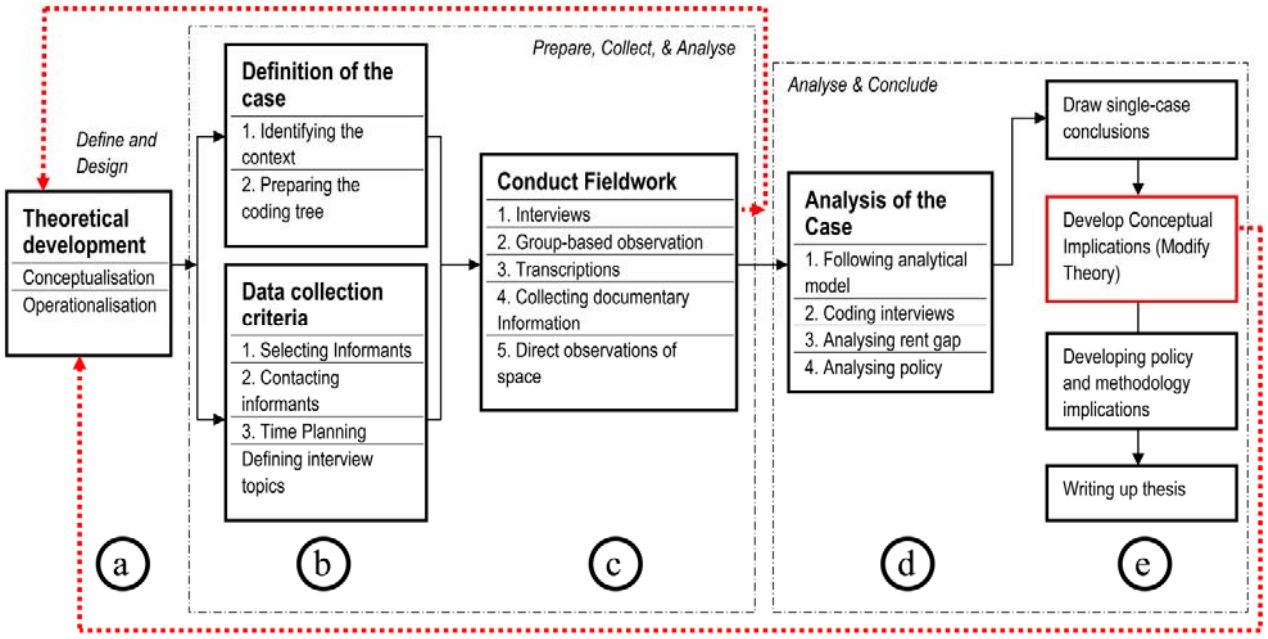


Figure 1.1. Research Stages

Source: own elaboration based on Yin (2003: 50)

1.4. Justifying Pedro Aguirre Cerda (PAC) and surrounding *comunas* as case study

Aware of the complexity that a context like Santiago's peri-centre implies, the present research sought to restrict the analysis to one case study area, where the effects of the Urban Renewal Subsidy (URS) and *Ciudad-Parque Bicentenario* (CPB) and other key public interventions were visible in the initial stages of the fieldwork. PAC *comuna*, located in the south-western peri-centre of Santiago, seemed an extremely attractive case of analysis. Its selection responds to what Flyvbjerg calls "information-oriented selection", more specifically "critical cases" which are those that allow to achieve logical deduction and false hypotheses (Flyvbjerg, 2006: 230). Before conducting the fieldwork, an initial approach to this territory showed that PAC has the following characteristics:

a) Sixty percent of PAC territory is located within the Urban Renewal Subsidy Area (URSA), at the north of the *comuna*.

b) Its eastern neighbouring *comuna*, San Miguel, concentrates the second largest agglomeration of subsidised urban renewal in Santiago. When this research started, there was a good chance that waves of renovation would move into PAC (see Figure 4.9, page 180).

c) Its western neighbouring *comuna* Cerrillos hosts the *Ciudad-Parque Bicentenario* (CPB) large urban project.

d) PAC space, originally almost entirely produced by state social housing and organised squatter enclaves (*campamentos*), from the 1950s to 1973, has crystallised in a very dense structure composed of small plots, narrow streets, few open spaces, and a territory surrounded by motorways that currently reinforce its spatial isolation. As seen in Figure 1.2, these elements configure PAC as one of the four currently densest residential agglomerations in Greater Santiago[4], hosting 115,000 people in almost 870 hectares (López, 2005).

e) As will be analysed in CHAPTER 5, the evolution of land prices in PAC shows an embryonic rent gap, gradually increased by URSA and CPB. Because of this transforming context, and despite the almost inexistence of demand for new properties during the period under analysis, an important part of PAC seems to be attracting the interest of property developers.

f) A recently conducted process of drafting a new local Master Plan between 2003 and 2005 led to a conflictive process of struggle between the municipality and the residents (by 2009, the approval of this instrument was stalled; see CHAPTER 6). An initial enquiry revealed that this process was closely related to factors a), b), c) and e) (Saleh, 2006).

g) PAC includes two of the largest and most vibrant working-class neighbourhoods (*poblaciones*)[5] in Santiago: La Victoria and José María Caro (the latter is shared with Lo Espejo *comuna* in its southern limit; see Figure 1.3). In addition, there

[4] The others are (1) Providencia-El Golf, (2) Pudahuel and (3) San Ramón-La Granja *comunas.*

[5] For definitions of concepts written in italics, see Appendix 1-Glossary.

was a very well organised citizen movement, which I started to contact during the initial stages of my fieldwork.

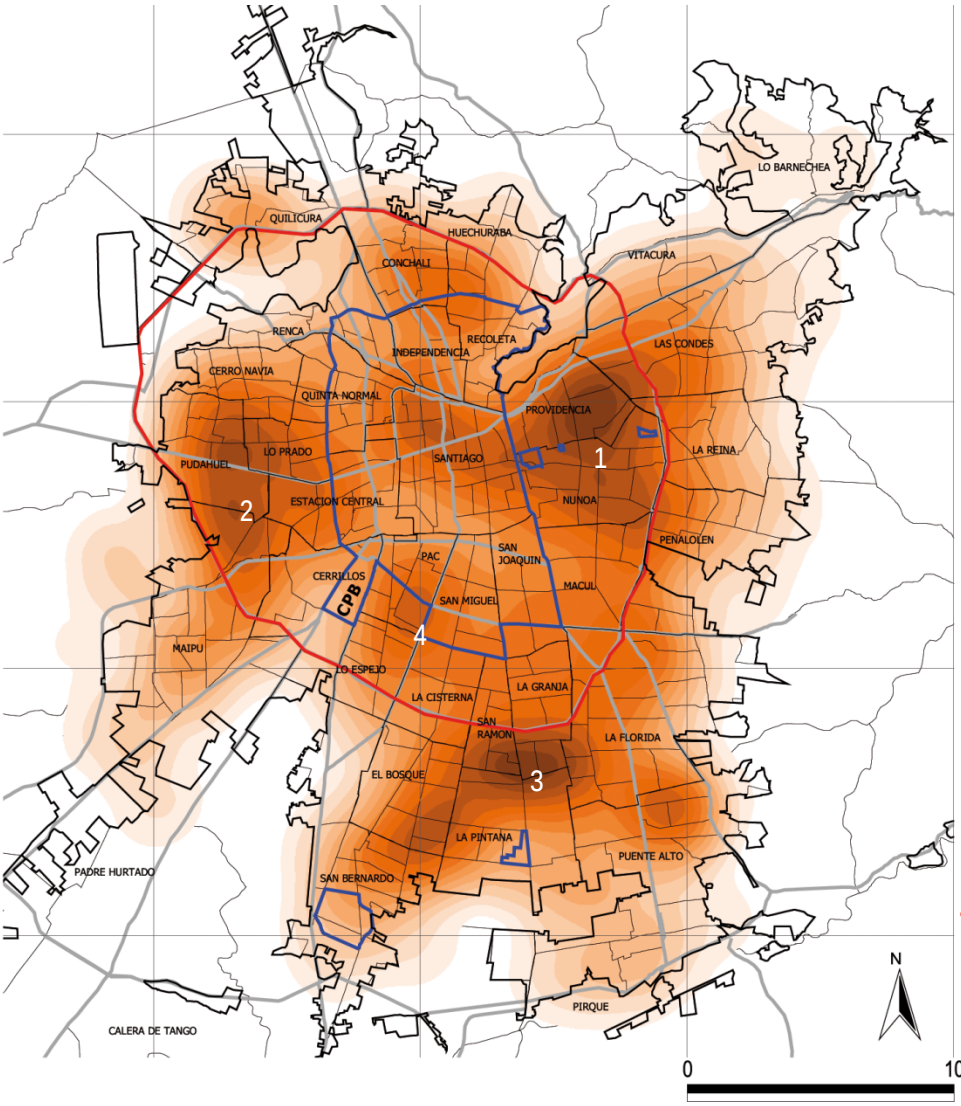


Figure 1.2. The four densest residential areas in Santiago[6]

Source: own elaboration based on SII (2001)

It seemed evident that PAC, probably more than most other *comunas* in Santiago's peri-centre, was facing processes of both structural change and social resistance. As will be seen in CHAPTER 4, the public strategy for urban renewal exists in Santiago since 1990 and the CPB emerged as a defined project in 2000. From this perspective, the years between 1990 and 2005 seemed an appropriate period to observe. Also, key information

[6] Arc View-Spatial Analyst module was used for the analysis. Search radius: 3 km. Density analysis: Kernel. URSA and CPB can be seen in the figure.

from the national censuses in 1992 and 2002 could be included in this period, while other statistical data was available for this time[7].

As a low-income area, PAC exhibits relatively low indices of social development. It is the fifth of the 34 *comunas* comprising Santiago that saw the greatest decline in population (-12.17%) between 1992 and 2002. The economically active population in PAC is also lower than average, with people aged between 20 and 49, making up less than 15% of the total, compared to the 47% of Greater Santiago as a whole. Although residential overcrowding is slightly higher in PAC (4.2 people/dwelling) whilst the average in Santiago is 3.9 (INE, 2002), severe dwelling multi-occupation is concentrated in 20% of PAC territory, in its most deprived *poblaciones* (SGA-IBERSIS, 2000). Crime and drug-dealing are also problematic, though this tends to happen in the more recently built peripheral *poblaciones* too. PAC territory is also surrounded by motorways that increase its spatial isolation. However, somehow paradoxically, the *comuna* is not among the most deprived metropolitan municipalities of Santiago. As its own inhabitants claim, PAC has two advantages compared with analogous low-income *comunas*, especially from the periphery: its centrality[8] and the relatively better quality of its infrastructure and networks, built under past policies of state social space provision (Kusnetzoff, 1975).

Nevertheless, the working-class origins of Santiago's peri-centre explain why there have not been important processes of filtering down the social scale, and/or dilapidation of residential space in PAC. Although peri-central *poblaciones* have few amenities and minimal infrastructure, they are relatively consolidated and multifunctional spaces for low-income housing and informal and formal micro enterprises. Figure 1.3 shows views of three main PAC neighbourhoods.

[7] Further information about PAC in Appendix 10.

[8] During the fieldwork, it took me about 15 minutes to travel from PAC's geographical centre to Santiago CBD by public transport.

Figure 1.3. Views of three *poblaciones* in PAC

Source: photography taken by the author

Figure 1.4. Views of new residential blocks within URSA

Source: a) to c) www.portalinmobiliario.com; d) and c) photography taken by the author

1.5. The fieldwork

1.5.1. Criteria for data collection and type of data collected

The main objective of the fieldwork in PAC was to enquire with local actors about the social, economic and political implications of the Master Plan redrafting that took place from 2003 to 2005 in the *comuna*. The fieldwork was conducted from March to June 2007. Beforehand, it became clear that the process of Master Plan redrafting had a myriad of complex social and political implications that needed to be enquired with different actors.

A general logic of 'multiple sources' aimed at assuring comprehensive and explanatory understanding of the case, reliability and external validity for results, and triangulation of different discourses. Contradictory discourses were considered as points of disagreement inherent to the conflictive nature of the case. The first informants were contacted from London. They were scholars from my faculty[9] and one architect from the Architects Union. This strategy proved to be a good means of getting further contacts in a process of 'snowballing'. Following the 'multiple sources' criteria, the fieldwork comprised by and large four sets of activities:

a) **Contacts at grassroots level:** I decided to interview neighbourhood leaders of PAC, because they had direct participation in the process of Master Plan redrafting (see Appendix 5 for complete list of interviewees, and Appendix 11 for definition of local Master Plan in Chile).

b) **Contacting institutions:** With the purpose of both interviewing people and searching bibliographical data, the following institutions were visited: the four largest universities in the city (University of Chile, Catholic University, University of Santiago and private Central University), national and regional offices of the Ministry of Housing and Planning (*Ministerio de Vivienda y Urbanismo*, MINVU) and the Housing and Development Service (*Servicio de Vivienda y Urbanización*, SERVIU), UN-ECLAC, Pedro Aguirre Cerda

[9] Faculty of Architecture and Urbanism, University of Chile.

municipal government and its several technical offices, several NGOs and several private firms. Libraries or archives were consulted in these institutions when available.

c) **Direct observation:** Fieldtrips to PAC were conducted on a regular basis for not less than 4 days a week (within a period of 15 weeks, from March to June), including Saturdays, usually staying in the area the whole day. When I was not interviewing neighbourhood leaders, the trips to PAC were aimed at participating in communal meetings or meetings between grassroots and central-state officers, visiting PAC *poblaciones*, taking photographs or just simply talking to ordinary people for capturing unexpected impressions.

d) **Gathering additional information:** Although most official reports have no security restrictions, and a large proportion is available from the Internet, some important data (e.g. PAC urban cartographies) had to be officially requested. Recent media reports related to *Ciudad-Parque Bicentenario* project, PAC Master Plan and San Miguel urban renewal were searched regularly over the Internet. TV programmes from TV channel La Victoria and leaflets (that illustrate the struggle between the local communities and the municipality; see CHAPTER 6) were also collected.

1.5.2. Contacting informants

The deeper I gained perspective into the implications of the case of PAC, the more complex the case seemed and the more actors appeared to have something relevant to say about it. Thus the need arose to interview a broader-than-expected array of actors, comprised by two main groups: Primary Actors, directly involved in the process of Master Plan redrafting in PAC; and Secondary Actors, not directly involved in the process but able to give a broader technical perspective of the local case and its context.

As Yin (2003: 90) recommends, general informants "not only provide the case study investigator with insights into a matter but also can suggest sources of corroboratory or contrary evidence – and also initiate the access to such sources." Table 1.4 summarises

the main features of Primary and Secondary actors and their relevance for the case-study. Primary Actors' description and roles are detailed in CHAPTER 6.

Type of Informant	N° Interviewees	Description
Primary Actors		
PAC community leaders	16	From the most emblematic *poblaciones* of PAC: La Victoria, José María Caro, San Joaquín, Manuel Rodríguez, Miguel Dávila, Las Lilas, Lo Valledor and others.
Independent professionals	3	They helped PAC grassroots to learn technical concepts and to produce an Alternative Draft Master Plan.
PAC municipal officials and mayor	4	Entitled technically and politically to lead the elaboration of the Master Plan, they controlled the consultant's performance and had to submit the plan to the Local Council for its approval.
PULSO consultants	1	Consultancy firm commissioned for producing the new Master Plan.
Subtotal	24	
Secondary Actors		
Central and Regional government (MINVU and SERVIU)	15	Actors not directly related but with 'institutional' interests about PAC process of renewal. Some of them gave access to missing pieces of statistical information and official documentary data required.
Members of Parliament	2	Representing peri-central districts, they observed PAC case from the national legislative body.
NGOs and other independent bodies or professionals	3	They observed the process critically. The most relevant is 'Defendamos la Ciudad' NGO.
Large scale developers and National Association of Building Firms	4	Key issues for them are the amplification of the potential ground rent in the area and the grant of the public subsidy to developers.
Scholars	11	From UN-ECLAC and the abovementioned universities. Experienced scholars with important contributions to planning and urban studies.
Subtotal	35	
TOTAL INTERVIEWEES	59	

Table 1.3. Primary and secondary groups of informants interviewed

1.5.3. Interviewing people

The most important goal of the fieldwork was not to accomplish a certain number of interviews but to obtain a necessary 'density of evidence', in order to constitute enough bulk and comprehensiveness of information. Initially, I envisaged that 20 key informants would be sufficient for the case. At the end of the fieldwork, I had collected impressions of 59 people, apart from those contacted through group-based participation and those who were not recorded.

Semi-structured interviews were preferred for their ability to follow some predetermined order but, at the same time, be open to unexpected emerging issues. This form of enquiry consists of listening, being not judgemental and, perhaps more importantly, being careful and systematic with the evidence that informants give (Krueger and Casey, 2000; Longhurst, 2003). Interviews were conducted most of times in the interviewees' offices or homes. The order of questions varied in every interview. Also, depending on the hierarchy of informants and their expertise, the topics of the interviews varied accordingly (see Appendix 6 for interview sheets translated to English). Beforehand I explained to all interviewees the topic of my research, and the purpose of the interview. I also asked for their permission to record and quote their speeches. Everybody accepted.

The purpose of the interviews was not to analyse discourses or contents. I considered discourse analysis methods were out of the needs for the present case. My limited knowledge about these methods drove to that decision. However, interviews anyway were used as pieces of evidence for the case. The interviews' questions aimed at expanding my knowledge about the case and providing evidence in areas where the quantitative or documentary data had not shed enough light. Interviews were complemented with notes from informal conversations with local people in PAC *poblaciones*, systematically compiled through a fieldwork diary that I wrote almost every night. This systematically gathered impressions and preliminary conclusions about the process.

For the analysis of the interviews, I created a general coding tree (see Appendix 7), based on four nodes, namely: a) historical social production of the peri-central space, b)

capitalist production of space, c) current forms of entrepreneurial urbanism and d) relevant elements in informants' discourses. Each node was disaggregated in several sub-nodes. N-vivo software was used for coding electronically the transcribed interviews, crossing the texts with the nodes and sub-nodes defined in the tree. Some nodes were denser, being touched by higher number of informants. This helped me to stress or dismiss theoretical aspects according to their relevance in the topic. Nodes also helped me to select the most illustrative quotations and place them in the text of this dissertation. All quoted pieces of interviews are my translation from Spanish.

An additional strategy to enquire with people was to participate in five communal meetings of collective negotiation between PAC neighbourhood leaders and the national authority for Transport[10], very similar to those that took place from 2003 to 2005 with the municipality. My aim was to visualise the levels of agency deployed by PAC communities in processes of negotiations and to get contact with the most interesting, best informed possible participants. These meetings were neither scheduled nor programmed by me, but by PAC leaders. I participated in five meetings, where I decided to take a passive role, listening and observing and only intervening when I was asked to do so. The groups were usually composed of 10 to 15 people and lasted no more than 2 hours. They were conducted in a municipal communal facility.

A sensitive point to bear in mind during the fieldwork was a gap arising from class differences between me and low-income PAC interviewees. Initially I thought that because of my cultural modes or even physical aspect (I am taller and paler than most *Santiaguinos*), some local people might react resentfully or even refuse to give me information. In fact, this fieldwork experience implied a constant questioning myself about the grade of reflexivity or 'positionality'[11] a researcher should exercise in this

[10] My fieldwork coincided with that process of negotiation. PAC leaders demanded to the national Transport authority an urgent improvement of the route map in the *comuna* of the recently implemented metropolitan Transantiago Transport Plan. The new scheme had left many neighbourhoods without a public transport service. I was told by the grassroots leaders that my presence in PAC and constant enquiring about urban matters helped to rise people's willingness to participate in this new negotiation. This might have been a positive outcome for their goals, but totally involuntary! See Appendix 1-Glossary for basic information about Transantiago.

[11] This value – instituted and popularised by feminist social science – means that one, as researcher, must be aware of one's own identity, social condition and political thinking, in order to ethically and fairly engage with the interviewees (Cook, 2005; Longhurst, 2003).

kind of investigations. From the beginning I tried to avoid both using typical middle class colloquialisms but also pretended to act like a local person. Soon I learned people from PAC, especially from *población* La Victoria, are accustomed to be researched by a broad array of scholars[12]. This showed me that my class background was of no consequence to them.

1.6. The quantitative analysis

Two types of quantitative data were used: census data for 1992 and 2002, and annual land market data from 1990 to 2005 (Trivelli, 2005), obtained from governmental and academic sources respectively. Also, the GIS Database of Santiago-Centre municipal government was consulted. This is one of the most complete municipal databases in Chile and covers the whole Santiago metropolitan region. Other sources were MINVU Urban Observatory and SEREX consultants (Catholic University).

The information utilised consists of crude digital data. This was processed with Arc View, linked through an official code (Cod-Ine) to the Santiago territorial units. Every piece of information has a spatial correlation, being easily linkable to its correspondent territorial unit. The higher level of disaggregation of the spatial analysis is the individual 'block', though some analysis was conducted at 'census district' level and *comuna* level. Detailed features of the quantitative data can be consulted in Appendix 8.

1.7. Chapter summary

The single-case study method outlined meets the epistemological conditions defined in the first part of the chapter. The first condition was to explain the phenomena 'from the theory' and contribute with expanded, better contextualised understanding of the case. This deductive-inductive approach, based on iterative feedbacks to the stage of

[12] Recent cases were a team of upper-class psychologists from Catholic University that field-researched children in 2006, and Janet Finn (2006a, b), an ethnographer from the USA that spent almost one year in La Victoria in 2005.

theorisation (see Figure 1.1), helped me to adapt the theories of Creative Destruction and Rent Gap to the Chilean socio-political reality. This is part of the abovementioned process of ‘analytical inference’, and its outcome can be seen in the final CHAPTER 8 Conclusions.

The second condition was to have an interpretivist, non-positivistic approach. The fieldwork conducted and all its elements contributed to a more comprehensive understanding of the social implications of the case, even considering its controversial political nature. The qualitative data collected through semi-structured interviews, group-based participation and direct observation was used as evidence in the analysis.

The third condition was to be coherent with the comprehensiveness of the case. The quantitative data gathered was equally important for informing the analysis of the research. Part of the spatial analysis was conducted prior to the fieldwork in order to define the case study area (see Figure 1.2, for instance). In general, the rule of having multiple (and comprehensive) sources of information was important to conduct this research’s case study analysis.

CHAPTER 2. Establishing a hypothesis of peri-central creative destruction

2.1. Introduction

This chapter outlines the three conceptual axes of the thesis: a) the inherently capitalist process of creative destruction of fixed capital in the city, as a form of capital expansion (Schumpeter, 1976); b) the production and uneven accumulation of the ground rent in the inner city or peri-centre, comprising a specifically 'urban' form of creative destruction (Clark, 1988; Smith, 1979); and c) the contemporary forms of public and private sectors' involvement in the redevelopment of the peri-centre in the capitalist world, in what has come to be called 'urban entrepreneurialism' (Harvey, 1989a). Accordingly, the three central sections of this chapter are as follows.

Section 2.2 defines the concept of creative destruction from its broader meanings, as fixed capital that ought to be destroyed for opening space for subsequent rounds of investment. In global and historical terms, creative destruction was experienced in capitalism in the 1970s, through the switching from Fordist to neoliberal modes of regulation, with consequent transformations of economic, political, social and urban global structures. This had tremendous implications in the inner cities of the industrialised and industrialising world. Santiago is an example of the latter.

Section 2.3 examines creative destruction as the main driver of property market in the peri-centre. According to the rent gap theory, market-led urban renewal becomes feasible when a sufficiently large rent gap exists, namely the difference between a devalued capitalised ground rent (CGR) and an increased potential ground rent (PGR). In both cases, devaluation of the building value (BV) and the CGR are forms of creative destruction, needed to enlarge the rent gap.

But creative destruction in the city also needs some state involvement. Section 2.4 proposes that entrepreneurial policies[1] for inner city renewal are necessary for allowing reinvestment in the places of widest rent gap, producing some forms of social reconfiguration in targeted neighbourhoods, and even diverting social welfare from the spaces that most need it, as a way to 'cleanse' them and secure the work of the urban capitalist system of accumulation. Section 2.5 concludes and summarises the chapter, establishing questions, research objectives and a hypothesis.

2.2. Creative destruction and peri-centre

2.2.1. Creative destruction in primary circuits of capital

As David Harvey (2001) argues, the need for capital accumulation has created specific spatial structures in the city throughout its historical development. However, expansive capitalism also tends to destroy its own physical, social and political structures, seeking to renew an infrastructural basis for further processes of accumulation, embracing increasingly larger scales. In probably one of their most famous paragraphs, Marx and Engels claimed

> The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society. Conservation of the old modes of production in unaltered form, was, on the contrary, the first condition of existence for all earlier industrial classes. Constant revolutionising of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses his real conditions of life, and his relations with his kind. The need

[1] Policy is understood here always in its broadest sense, comprising state-designed plans of action seeking to guide decisions and achieve rational outcomes; more specifically, as "any national, regional, local, or institutional project, program, law, regulation, or rule" (Schmeer, 1999: 7). According to Hardoy (1975a: 84), policy is "a general line of action that seeks to utilise in the best way possible the resources available for a certain society for the fulfilment of certain goals" which respond to the interests of the dominant groups of society.

> of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connexions everywhere. (Marx and Engels, 1970: 34-5)

Much inspired by these ideas, Schumpeter synthesised capitalism as a 'process of creative destruction' (1976). He claimed that capitalism is a history of revolutions, impossible to observe but in their historical development. Capitalism revolutionises its economic structures from 'within', incessantly creating a new one and destroying the old one. Economic agents, namely capitalists, destroy and replace their fixed capital, means of production, physical and social infrastructures, according to the pace of the new technological advance, in order to remain competitive. This is precisely the force that sustains the city as a machine of production and competition (Batty, 2007a). The capitalists' search for competition embraces

> the new commodity, the new technology, the new source of supply, the new type of organisation […] competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives. (Schumpeter, 1976: 84)

Although initially Schumpeter observed this tendency to self-destruction as a fate that would lead capitalism to its inevitable and definitive exhaustion for its tendency to entropy – i.e. collapse of its future room to manoeuvre, as Biel (2006) concludes after analysing capitalism under a thermodynamic perspective – the fact is that capitalism has been so far able "to adapt and mutate, to evolve new forms of industrial organization which are hostile only to an established order which is in constant transition anyway." (Batty, 2007b: 2)

Through every structural crisis[2] of over accumulation, processes of creative destruction have been essential for disinvestment, devaluation and destruction of formerly invested capital, readjusting its organic composition - i.e. the proportion between labour power and means of production, basically the capacity of labour to produce value (Marx, 1995)

[2] Crisis is so decisive a concept that the *Dictionary of Human Geography* (Johnston *et al.*, 2000: 123-5) devotes three pages to define it essentially as "an interruption in the reproduction of economic, cultural, social and/or political life." Crises are core to the historical-materialist interpretation of development, being outcomes of the dialectic nature of opposed principles of societal organisation, patent in the transitions between historical modes of production (implying an interruption in the accumulation process; see Harvey 2006a).

– and recalibrating the rate of profit (upwards), in ways to establish opportunities for new rounds of investment. Classical forms of creative destruction have been, for instance, driving down the price of labour through mass unemployment, destroying value invested in fixed capital until production is idled or wars, because they imply subsequent economic reconstruction (Smith, 2000a).

Crises occur when "flows of capital do not expand the basis for the production of surplus value" (Harvey, 1985: 102), forcing the rationalisation of an unbalanced system of production, exchange, distribution and consumption, and financial and state institutional structures. Cyclical crises of over-accumulation produced within the primary circuits of capital (i.e. the productive sectors)[3] are generated by overproduction of commodities, falling rates of profit (in pricing terms), surplus capital which manifest itself as idle capacity lacking opportunities for investment and surplus labour, and/or rising rate of exploitation of labour power.

As a general rule, major crises drive capitalists to switch from the primary circuits and invest into the secondary circuits, in forms of fixed capital and, more specifically, built environment and urban space, or even in the tertiary circuits (Fyfe and Kenny, 2005). This is known as 'capital switching'. Epitome of this are the over-invested property markets in times of pre-crisis[4]. It is important to stress that these flows of investment have nothing to do with real needs of people (for housing, open spaces, amenities, etc.) but of capital reproduction and expansion. Capital switching is what Marx (1973, Notebook VI) defined as periodical devaluations of fixed capital, which provided one of the immanent means in capitalist production to check the fall of the rate of profit and accelerate accumulation of capital-value through the creation of new capital.

[3] Primary circuit of capital is production, secondary is the built environment and tertiary is investment in science/technology seeking to increase labour productivity and guarantee its cooperation. Capital regularly shifts from one to the others as a way to resolve crises of over-accumulation. Within the first circuit, Harvey differentiates fixed capital enclosed within the production process from fixed capital that works as "physical framework for production", the city and its infrastructures being essential parts of the latter (Harvey, 1985).

[4] The sub-prime mortgage financial crisis in the US and its devastating worldwide consequences for low-income, elder and ethnic minority people are the most recent example (Strauss, 2009).

Nonetheless, in contrast with other more volatile economic sectors, urban space is an efficient form of capital fixation, allowing the processes of accumulation to work within certain levels of stability. This has been defined as 'geographies of accumulation' (Carlos, 2008; Harvey, 2001, 2006a). City space avoids or slows down the capitalist tendency to crises of over-accumulation. Being a commodity, a wealth generator and a mechanism of securitisation of surplus value, urban space is created, transformed, destroyed and expanded as long as periods of accumulation are developed. In turn, when excess of accumulation arise, urban space responds with stability in profit rates (e.g. the constant rent produced by a residential building).

However, cities can – as a last resource – be destroyed in order to clear space for new accumulation in a next round. The organisation and re-organisation of city space is thus not only an expression of the globally-induced crises of capital accumulation, but a device for managing them locally (Harvey, 1973).

> Capitalist production is inherently anarchic. The collective interest of capitalists lies in a balance between production and consumption, but the rationality of capitalist competition and technological development makes such a balanced expansion of the economy almost impossible to achieve. The result is crisis of overproduction [which] may be displaced in the first instance by the artful use of the credit system, but only for a time. There may yet be a further displacement […] through the manipulation of geography and space: the spatial fixes of imperialism and the reorganisation of the built-environment. (Katznelson, 1993: 110)

Nonetheless, the capitalist creation of space has plenty of contradictions. Created spatial structures, or geographies of accumulation, act as barriers for further processes of accumulation, since they are fixed and immovable. These stumbling blocks need to be necessarily destroyed as otherwise capital invested in the built environment would be immobilised for long periods of time, being illiquid, entailing high transaction costs upon sale, needing security and not being easily divisible. In general, the inflexibility of the city space resists frequent modification and this makes the urban commodity very sensitive to devaluation, especially compared with machinery and other forms of fixed capital (Weber, 2002).

Urban space never changes as fast as the pace of economic development demands; it usually becomes an impediment for the fast transforming capitalist structures, because

the built environment is fixed, it is a resource system of use values embedded in a physical landscape which can be utilised for production, exchange and consumption. Or, as Rachel Weber adds, the "accumulation process experiences uncomfortable friction when capital (ie "value in motion") is trapped in steel beams and concrete." (2002: 519)

The built environment "is especially long lived, difficult to alter, spatially immobile and often absorbent of large lumpy investment." The city space is resistant to revolutionary change, but at some point, investment in the built environment becomes definitively unproductive. The exchange value[5] set into urban space must therefore, anyhow, be written down, diminished or even totally lost (Harvey, 1985: 105). However, the devaluation of capital set on built environment does not necessarily destroy its use value (across its 'useful life'[6]) but can be used as 'devalued capital' for as long as it helps to re-establish the base for a new further period of accumulation. The exchange value locked up in the built environment can be recovered only by fully using the built material over its lifetime (amortisation time), though it cannot be easily altered so it fixes only certain level of productivity over the mentioned time (e.g. a limited ground rent produced by a plot, for the 'quality' of the structure built on it). However, if new and more productive fixed capital is produced, the old fixed capital devalues even faster and deeper and so it must be transferred into different circuits of capital (Ibid).

One of the deepest and most pervasive cases of global-scale creative destruction generated by capital switching was the de-industrialisation of great part of the industrial cities in advanced capitalist nations, namely UK and the Midwest of USA, since the early 1970s and for over a decade afterwards (Hall, 1999). Post-Fordist flexible production techniques replaced industrial structures and infrastructures developed under the Fordist[7] regime, while once vibrant industrial regions were emptied and replaced with new landscapes that offered maximum economic advantage for the new functions required in the new global economic order (Mitchell, 1998; Sassen, 1998). These

[5] 'Exchange value' is understood here as a value of a commodity, determined solely by the market and defined in monetary terms, i.e. price, thus unrelated with the inherent utility of the asset, or use value (Marx, 1973). The dissociation between the two types of values and the subordination of the latter under the former is a central condition of capitalism.

[6] Expected period of time during which a depreciating asset will be productive.

[7] See Appendix 1-Glossary for definition.

processes considerably affected the abovementioned inner cities. A radical contradiction between fixed, immobile geographies of accumulation and the need of redirecting capital into different spheres of flexible production and expanded accumulation was being experienced across the world.

However, cities are not only geographies of accumulation but also geographies of social reproduction (Castells, 1985b), fields of relations among social agents, interrelated with the dominant mode of organisation of the economy and the spatial organisation of society (Carlos, 2008; Katznelson, 1993). The human dimensions implicit in the destruction and replacement of many formerly industrial inner cities of the first world entailed serious sociological consequences. Workers were deeply affected by these radical infrastructural changes, let alone built facilities for education, health, social services and amusement that got outmoded or simply disappeared from their neighbourhoods in a few years, due to lack of investment and maintenance. This happened because inner cities economies were based on manufacturing production that was departing from those places. Previous social institutions, labour codes, laws and social welfare apparatuses (modes of regulation[8], in fact) would be reset too in the following years, to be replaced with the new rules of *laissez faire* accumulation.

Furthermore, as the literature indicates, the effects of this creative destruction associated with post-Fordist de-industrialisation might have been experienced not only in developed but also in developing nations. However, in the latter, it may have entailed different forms and intensities, with widely different consequences. The following two sub-sections address these issues.

2.2.2. Social effects of creative destruction in inner cities of the UK and USA

In the early 1970s, world Fordism reached a final state of entropy and a final implosion of its own contradictions, which were: a) high inflation rates, b) extreme dependence on state regulations and bureaucracy, c) inability to cope with the mass consumption model

[8] See Appendix 1-Glossary for definition.

and the complex social demand and unionised organisation which had been produced (Gertler, 2000a). The decline of Fordism implied that

> [g]overnments broke the social contract between capital and labour that had supported decades of industrial peace and productivity, provided good wages for the securely employed and defended Keynesian mass consumption. The cultural paradigm of modernity, based on progress, planning and a belief that basic social security could be guaranteed, was shaken by new expressions – as well as fears – of fragmentation. (Zukin, 2006: 113)

Probably the most distinct spatial effect of the crisis of the early 1970s was the economic decline in the inner areas of the main cities of highly industrialised regions like UK and the Midwest of USA. In industrialised countries, massive suburbanisation was experienced since the end of World War II and this considerably emptied formerly dense, white and middle-class inner city areas (Parker, 2004). The latter turned into spaces occupied by lower-income population and, in the case of USA, by black or Latino communities (Ford and Griffin, 1979). Nonetheless, it would be from the recessive late 1960s that former central technical functions that supported the whole Fordist economy would become also suburbanised, the manufacturing economy transformed into service economy, and corporate and governmental headquarters would become recentralised in different CBDs. For the new functions needed, spatial proximity was crucial for managing the uncertainties of the contemporary fast financial market (Ritzer, 2000; Smith, 2005b). These factors much contributed to the emptying of the formerly vibrant industry-related residential agglomerations in the inner city.

The problem could not be more structural for Peter Hall (1981, 1999) for whom, after his extensive analysis of UK cities, this post industrial inner city crisis comprised three levels:

1. A relation between structural change, at national and international scales, and the local economies, which affected the international, national and regional performance and capacities of industrial production. Large corporations took many or all of their functions away from inner cities, thus breaking the entrepreneurial milieu represented by these spaces for economic innovation and competition with other locations.

2. A mismatch between unemployment and unfilled job vacancies, which existed in the inner city side by side. Issues of education, skills, retraining, distance and accessibility affected altogether the local levels of employment.

3. A subtle line that separated the formal from the informal economy was reinforced, for different groups of the urban population, as well as the ways in which individuals moved from one sector to the other.

Although Hall's position might be considered technological-determinist (Lee, 2000; Lees *et al.*, 2007), it leads to quite clear sociological implications: as a result of de-industrialisation, inner cities in the UK experienced de-population, economic restructuring, property abandonment, higher unemployment, fragmented families, political disenfranchisement, crime, and desolate and urban landscape deterioration, all of it especially suffered by the people who stayed there (Grogan and Proscio, 2000).

W. J. Wilson reached similar conclusions in the USA, where most of the former inner-city industries left to relocate in new peripheral enclaves, slowly generating out-migration of the middle-class urban professionals and the formally employed, better skilled working-class or 'working class aristocracy'[9] towards the suburbs, where new and old jobs were being located. In consequence, the continuous migration of the more skilled workers gradually emptied the inner city, and soon a 'spatial mismatch' occurred when there was an unbalanced relation between a remaining poorly skilled local population and the few job opportunities available. From then on, job, joblessness and class would become core factors in a constant trend of inner city decline. Neighbourhoods worsened, expelling continually the remaining people who could afford to out-migrate (Wilson, 1987).

Seen systemically, the phenomenon is self-reinforcing, a 'positive feedback' that affects the stability of inner city communities that formerly depended to a large extent on the viability of social institutions in their neighbourhoods – which provided mainstream role models and reinforced mainstream values related to employment, education and household structure – and the proximity to stable families. According to Wilson (1996),

[9] To say it in Marxian terms (Wright, 2000).

the underclass remains in the inner city yet without the truly stabilising mechanisms represented by the middle and working classes.

Hall (1981) agrees with this latter point. Post-industrial inner city space became structured by 'traps', or vicious circles of poor jobs and poor housing. Spatial decay was mainly produced by four causes: a) *technological employment trap*, whereby new technology allied to new economic organisations destroys the remaining people's jobs and reduces their possibilities for finding new ones; b) *housing trap*, whereby they remain in rent-controlled private tenancies or in local authority housing, afraid to sacrifice their security and unable to move to seek jobs that might well be available for them elsewhere; c) *poverty trap*, which considerably worsens this situation, whereby if they get better jobs they will lose more in taxation and benefits than they stand to gain. But the fourth variable seems to be even more important in this vicious circle: d) *collective deprivation*, a local common perception of loss of opportunities, which is materialised in the physical deterioration of dwellings, factories, shops, streets and a lack of opportunities in jobs, housing, and education. Underlying all of these there is a feeling that the whole area is 'going downhill' and those who are most able or energetic are just leaving the neighbourhood.

2.2.3. De-industrialisation in Latin American peri-centres too?

Large scale creative destruction can occur either in the global north or south, in independent or dependent[10] economies (Castells, 1985a). Structurally speaking, in times of crisis, spatial reconfigurations take place in global economic centres but soon they spread towards global peripheral regions (Sassen, 1996, 2003). A question that arises is whether, as a consequence of the global downturn of Fordism, analogous processes of de-industrialisation occurred in Latin American cities and, if so, what form they took and how they affected inner city areas (peri-centres in Chile), especially given the period of intense import-substitution industrialisation (ISI) that had been previously experienced by many Latin American countries.

[10] See Appendix 1-Glosary for definition.

There is no specific research in Latin America focused on inner city decay of a comparable quality and level of specificity to those in the UK or USA. A possible reason can be that in contemporary Latin American cities, cases of widespread urban deprivation are the norm rather than the exception and can be not only associated to specific inner city territory but also suburban areas. However, the literature about Latin American cities observes in general that processes of both national industrialisation and de-industrialisation occurred, and they might have been factors of inner cities rise and decline in the biggest urban centres during the middle decades of the 20th century. Yet the evidence is not conclusive and even some authors tend to disagree in some important aspects.

For instance, Bromley & Jones (1996) argue that processes of post-Fordist de-industrialisation in Latin American cities are considerably less relevant for these cities than those which took place in the industrialised world. Observing the inner city of Quito, Ecuador, they do not find evidence of industrial agglomeration integrated to residential neighbourhoods, neither do they identify state-led or self-help built environments in the peri-centre. Jones & Varley (1994) in turn analyse Puebla, Mexico, concluding that the Latin American inner city should be rather understood as a distinctive, 'colonial' historical centre inhabited by informal workers and handcrafters. Again, no relation of dependence between inner city and industrial sector exists there[11]. These authors conclude that urban policies for these areas should focus on cultural-based, conservationist strategies for urban heritage recovery. When conceptualising their models of Latin American inner cities, they also give limited relevance to the processes of import-substitution industrialisation that took place in Latin America during great part of the 20th century.

Similarly, based on studies of Mexican cities, Griffin & Ford (1980) and Ford (1996, 1999) agree with the supposed almost inexistence of decaying industrial enclaves, observing instead the inner city as a combined zone between 'maturity' and 'accretion' crossed by axes of 'disamenity' and land squatters, being the latter spaces of deprivation and lack of positive externalities.

[11] Although one fourth of the state of Puebla's GDP comes from manufacturing industries. Puebla city also hosts one of the two assembly plants of Volkswagen in the Americas. See http://es.wikipedia.org/wiki/Puebla (Retrieved 12 May 2009).

Peter M. Ward (2001) tends to accept more the relevance of import-substitution industrialisation in the production of a peri-central ring in Latin American cities, seeing it nonetheless as essentially irregular, self-help, precarious spaces instead of being produced by formal housing. Therefore, the author stresses that Latin American cities' post-Fordist processes of decay are essentially dissimilar to cases in UK or USA, with different demography, considerably lower rates of de-population, relative stable and vibrant – though precarious – spatial economies, and, after one or two decades of decline, lack of inward reinvestment and absence of strong public policy (as it happened in cities of the global North). These three factors make Latin America inner city devitalisation a case of 'different kind', because

> [i]f their demography is fundamentally different, so, too, is the relationship between the macroeconomy and its impact upon urban structure. Latin American inner cities have not experienced the same cycle of industrial investment and disinvestment that many of their advanced-city counterparts have, which […] frequently offered the earliest locations for industrial manufacturing. For major Latin American cities industrial development was largely engendered by post-1950s ECLA[C] orthodoxy of import-substituting industrialization (ISI). These production and assembly manufacturing plants developed in areas which were at the (then) periphery of the city, forming industrial parks and corridors. Subsequently these industrial zones have been engulfed by continued urban growth. However, they have not usually been subject to systematic disinvestment, except where growing environmental awareness has demanded the relocation of particularly noxious or dangerous enterprises. (Ward, 1993: 1145)

In general, all these authors observe a Latin American inner city not sufficiently industrialised – or just too recently industrialised (after the 1950s)[12] during too limited periods – for consolidating complex and durable working class milieus. Thus, their conclusion is that relevant cases of creative destruction generated by capital switching during the onset of the phase of import-substitution industrialisation might not have taken place in the main centres of the subcontinent. In general they observe neither considerable demographic de-population nor de-industrialisation or urban decay, but instead very vibrant central areas.

[12] ISI started in Chile much earlier in the late 1930s. Some authors even claim that the material conditions for this development existed in Santiago since much earlier (Salazar, 2003). See also CHAPTER 3.

However, it is very possible that in Latin America the number and type of case studies lead to quite different conclusions. Observing urban centres mainly from the South American southern cone, and without attempting to establish comparisons between developed and developing societies, other authors have found considerably relevant evidence of inner city industrialisation during the 20th century. Whether these processes are comparable in kind or degree with those in the global north, is not relevant for them. For instance, Bähr & Riesco (1981) and Bähr & Mertins (1993) observed Santiago de Chile's peri-central inner city (see Figure 2.1) as a 'mixed zone' of low-middle class, where industrial and commercial functions are key elements that help to create residential neighbourhoods and micro property markets. What they observe is an inner city built essentially during a long-lasting import-substitution industrialisation period[13].

> [We corroborated] impressively that the basic dimensions of housing localisation in Latin American agglomerations are similar to the models proposed for industrial cities. […] The mixed zone residential-commercial-industrial [Zone 2 in Figure 2.1] comprises an ample gamut of residential types and qualities. It is possible to find here simultaneously new apartment buildings and old mansions in good state of conservation, together with multi-occupied dilapidated buildings. Furthermore, very old adobe-made houses coexist near old working class dwellings (i.e. little houses and *conventillos*[14]). However, in Santiago these are not compact areas, nor is there a neatly observable fall in the social gradient outwards the mixed zone with subsequent rise [towards the suburbs] similar to other Latin American cities. […] In parallel to the industrialisation [of the city], between 1930 and 1940, a clear sectoral expansion from the city centre was developed, especially toward the south (San Miguel *comuna*[15]). A similar, yet less intense situation took place to the north. In contrast, southwest and northwest sectors were left undeveloped for longer, so that a marginal, less valuable zone is located closer to the core there. In both cases, the quality of land played an important role. To the southeast, the land is valuable for its agricultural productivity and closeness to the market. To the northwest instead, the land is swampy, unsuitable for inhabitation (Bähr and Riesco, 1981: 32-42; my translation from the original in Spanish).

[13] The year Bähr & Riesco published is significant, because it is the critical moment when Santiago started to experience the socio-spatial effects of neoliberal policies.

[14] See Appendix 1-Glosary for definition.

[15] This is examined in CHAPTER 3.

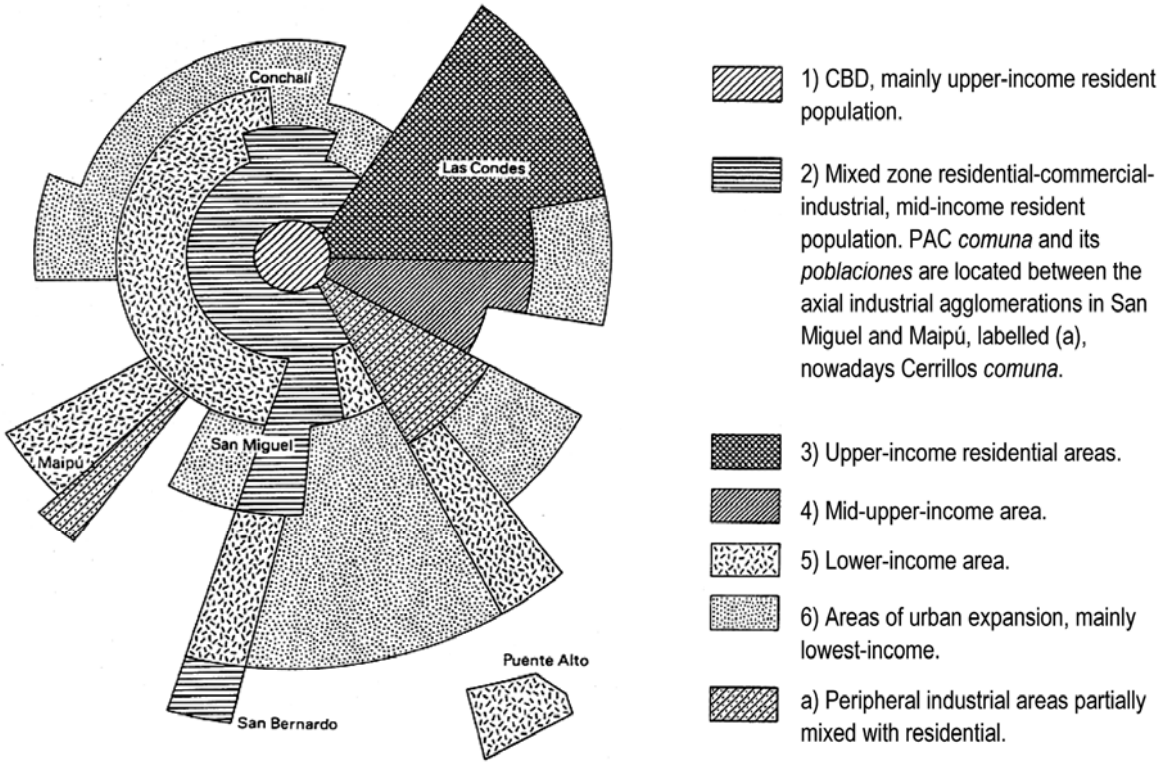


Figure 2.1. Bähr & Riesco's internal functional-spatial model of Santiago, 1981

Source: Bähr & Riesco (1981)

Their conclusion is that inner city or peri-centre in Latin America results of a match between high levels of local employment concentrated in the industrial rings of the city, and a massive concentration of low- and medium-skilled workers and their families (working class and petty bourgeoisie) between the CBD and the expanding and more mixed peripheries. Hence the Latin American peri-centre corresponds to a 'transition zone' similar to that in the School of Chicago sectoral models'[16] (Bettin, 1982; Burgess, 1972; Harris and Ullman, 2005; Johnston, 2000b) expressed in an amalgam of rooming house, residential deterioration, industries (or formerly industrial areas in the case of de-

[16] Although induced from particular periods of mass industrialisation in developed countries, the apparently universal laws of the ecological models of the School of Chicago and the classical assumptions they are based on (for instance, Von Thünen's and Ricardo's approaches to rural land distribution are translated into urban allocation by Alonso, 1972) have been highly influential in contemporaneous urban studies in Latin America. They have inspired socio-spatial models (Bähr *et al.*, 1993; Bähr *et al.*, 1981; Borsdorf, 2003; Ford, 1996; Griffin *et al.*, 1980; Janoschka, 2002; Ortiz & Escolano, 2005; Ortiz & Morales, 2002) that describe well general patterns of urban growth but are relatively inaccurate to illustrate more specific urban dynamic processes. Neither have those models overcome their neoclassical locational logic (Fischer *et al.*, 2003) to explain, for instance, potential processes of gentrification.

industrialised enclaves), slums – settled by recent immigrants – and improved areas of blue-collar workers, who escaped from the slums but who need to live near sources of work.

This definition has inspired subsequent descriptions of inner city in Latin America. For instance, Arriagada & Simioni (2000, 2001), Ortiz & Morales (2002), Arriagada (2005), Bähr & Borsdorf (2005) and López (2005) outline descriptive, statistically-based approaches, defining the inner city as a territory (in the case of Santiago, a group of at least nine *comunas*) surrounding the metropolitan core which show several similar features of complex industrial past, mixed areas of state-built and self-help built residential areas, and that have experienced relatively contemporaneous trends of de-industrialisation from the 1970s or 1980s.

Additional evidence in favour of the existence of an industrial past in the peri-centre is given by Katzman, who from a sociological perspective relates inner city with a mixture between 'traditional working class' and 'migrant' neighbourhoods of the mid 20th century. These were spaces of relative poverty but where general ways of life associated to a culture of work have been long-lasting. Katzman's perspective is clear: the predominant socio-economic structure in the largest metropolises, given in a certain historical moment, produce the main features of the neighbourhoods that are created during that time (Katzman, 2003a, b). From that point, he stresses the differences of the already traditional peri-central spaces with the newest, 'post-neoliberal policies' and rapidly expanding peripheral low-income enclaves or *poblaciones* of the 'new poverty' (see CHAPTER 3). Differences could not be more marked: the migrants' neighbourhoods were formed after massive pre- and post-Second War migrations of rural population in search of formal and informal jobs in the cities (e.g. males were more involved in circuits of industrial jobs or construction, whilst females were closer to employment in domestic services), and the working class neighbourhoods were more deeply involved in the productive spheres of the national process of industrialisation. The result was mixed

> class consciousness rooted in the labour experience and strengthened through the sociability of the neighbourhood. Several factors contributed to this strength. First, the stability of this insertion into a same working sphere, whereas the size of the [working] establishments was homogeneous. Second, relevant utopias that reinforced the

> importance of work towards a new, socially richer, more equal and integrated society. Third, the experience of labour and social conquests through collective struggle. Fourth, the membership to strong labour organisations. Fifth, the hope in progress mobilised by the industrial dynamic. Attitudes and values that emerged from that labour experience contributed to the formation of patterns that regulated the coexistence in the working class neighbourhoods, as well as the *residents*' sociability and the participation in the communal institutions fed those attitudes and values back. (Katzman, 2007: 192-3; my translation from the original in Spanish)

Although Katzman (2003a, b, 2007) and Bähr & Riesco (1981) confirm the production of 'industrialised' inner-cities in Latin American countries that had relatively long periods of import-substitution industrialisation, in general the authors reviewed here interpret the effects of ISI on inner cities quite differently. After a disparity of conclusions, a first question that emerges is if such 'representative Latin American inner' city, somehow claimed by Griffin & Ford (1980), Ford (1996, 1999), Bromley & Jones (1996), Jones & Varley (1994) and Ward (1993, 2001) really exists, or there are instead different types of inner city depending on every national economic trajectory, roles exerted by states, private sectors and social movements. And if so, probably each case ought to be verified one by one. However, a second question, closely related to the former, refers to the implications that the processes of state-commanded economic liberalisation exerted in Latin America in the 1970s and 1980s, namely neoliberal de-industrialisation, had taken place in a peri-centre like Santiago's.

Yet still a third question remains. This is related to a different type of creative destruction which embraces almost integrally the secondary circuit of capital and is experienced in the peri-centre at neighbourhood scale, were there an industrial past or not. The question is about the neoliberal forms of inner city urban renewal, and if those are also forms of creative destruction. The following section develops this point.

2.2.4. Switching into the secondary circuit of capital

At the final stages of Fordism, cities' economies were transformed from being supported by primary circuits of capital (industrialisation) into being largely determined by secondary ones. Lefebvre (2003) called this 'Urban Revolution'. This metaphor denotes a major epochal shift, from a modern period of economic growth based on

industrialisation, into a post-modern period in which the urban commodity became central for capitalist accumulation (Merrifield, 2002). From then on, urban rent and urban space would not only be a condition for production (e.g. hosting manufactures) but elements for production itself, subject to exploitation and hence accumulated without intervention of the primary circuits of capital. In short, with capital switch into secondary circuits, land rent, instead of profit extracted from labour exploitation would be exacerbated as a profitable commodity *per se* (Harvey, 1989b).

However, as explained at the beginning of the chapter, due to the technical innovations which constantly improve the potential efficiency of city space, a piece of land or building becomes, in the mid- or long-term, an old structure unsuitable for more profitable uses. Hence capital's restless search for profits requires constant renewal through forces that simultaneously open space for the new and devalue the old structures and, if neighbouring territories are rezoned, buildings or entire neighbourhoods might become unsuited to those 'new' environments (Weber, 2002) and hence need to be replaced.

The contradiction between the urban space as a 'commodity in tension', hard to be replaced, and the urgent need of profit and liquidity by capitalists – made possible by the whole set of rules, regulations, and institutions that are established by the state, just for enhancing liquidity by homogenising and standardising those assets[17] – is precisely what makes urban renewal a critical issue for the economy of the capitalist cities (Gotham, 2006).

Therefore market-oriented or state-led revitalisation, regeneration and renewal emerge as highly profitable forms of recovering the capacities of the built environment to accumulate capital. Whilst within the primary circuit, revenues derive from the capacity to create surplus from labour exploitation and the fixed capital set on space, within the second one, profit rests exclusively on the surplus extracted from land rent, this rent being accumulated monopolistically by the capitalist class (Ward, 2008).

[17] Flows into the secondary circuit need also to be 'protected' by a functioning capital market and state financing and guaranteeing long-term and large-scale projects. Moreover, this switching cannot be produced without 'fictional capital' provided by a credit system that supplies funding for the larger magnitude of the built environment (Aalbers, 2007).

However, surplus within the secondary circuit is not an 'idle' product (as when natural land is commodified) but produced by the capitalist mode of regulation which enhances it through infrastructures and regulations demanded by the capital. And it would be in low income areas, like the inner city areas of relatively industrialised cities like Santiago, where the contradiction between the capitalist class seeking accumulation of the land rent, and the working class that has historically helped its production, reaches its highest dialectical levels. The latter is my interpretation of what Smith (1986, 1996b) calls the 'Urban Frontier' (not the property market 'hotspots' of the city, but the spaces where the urban renewal expands) and reflects precisely the politically contradictory nature of ground rent in the urban peri-centre, as the following section examines.

2.3. Within the secondary circuit of capital: class-monopoly rent and rent gap exploitation

2.3.1. Brief definition of ground rent in capitalism

In capitalism, land is increasingly commodified, but always in a process of being shaped, reshaped, and challenged by the spatial practices of various groups and individuals whose identities and actions undermine the comparatively more homogeneous pre-capitalist city (Katznelson, 1993)[18]. Rent is consequently the rationing device for the commodification of land, required by all its inhabitants for multiple uses. And, given that rent is derived from a title to land (i.e. landed property), this title can change hands infrequently but decisively, just like a pure financial asset (Harvey, 1989b).

Land rent can be understood as the future payment for a plot of land but, differently from other commodities, rent in its natural state costs nothing to be produced to its owner. In fact, in words of Marx, rent only comes to exist when commodified and appropriated by a parasitic landowning bourgeoisie (Marx, 1995). Notwithstanding that

[18] Katznelson's could be an excessive generalisation. According to Hardoy (1975a, b) and Hardoy *et al.* (1978), a constant characteristic of pre-Columbian, colonial and modern Latin American cities was their spatial segregation. However, in Santiago, its highly stratified colonial socio-spatial structure until the 19th century was far more socially integrated than the capitalist city developed later (Romero, 2007).

its value is explained by classical theorists as produced by physical characteristics, in Marx's categories, rent starts with the social transformation of nature. In fact, differential rents can be produced by differences in land productivity. A first form is Differential (ground) Rent I, explained by Marx as the surplus generated by the social work performed in a piece of land with better productivity (or centrality, or connectivity). Then, due to the intensity of the capital invested on land and the capacity of the capitalist class to technically transform the natural properties of land (or space) Differential Rent II emerges. Both types of rent are to be accumulated at the end of the day by a landlord, or the land-owning class (Borisov *et al.*, 1965; Marx, 1995).

However, in the city, the natural characteristics of land are less important, whilst the social agency produced around it by the needs and interests that the city agglomerates are far more crucial. For instance, with rent levels established by human-produced scarcity, the power exerted by landowners can be decisive in the determination of a level of rent, since it allows them to hold back this resource, creating artificial scarcity, until they receive a positive return above all the differential rents (Barnes, 2000). This is basically class-monopoly rent, and is further developed below.

The differential rents in the city are artificially created. According to classical interpretations (e.g. Von Thünen's model), land rent is determined by the distance of a land plot to a central market place (Garrocho, 2003). In Ricardo's model, it is produced by the productivity of a piece of land in comparison to a totally unproductive plot. Alonso's model of urban location follows Von Thünen's logic, but it replaces ground productivity with social agents' purchasing power, yet maintaining the distance to the centre as rent-generator mechanism (Alonso, 1972). Yet in the city, the creation of differential rent is far more complicated, and more factors intervene, such as distance to the different centres in the city, building regulations, density permitted, advantages in infrastructure nearby, and in general, everything that generates externalities in the urban space.

Contemporary Marxism has reinterpreted Marxian classical categories of rent and contextualised them in the contemporary capitalist city (Harvey, 1974, 1989b). From these categories, the social nature of rent can be explained as follows:

a) Although the general definition of rent conceives it as payment from a user for utilising a natural scarce productive resource owned by somebody else, in the case of 'urban' rent, the process is far more complicated. Urban rent is neither a naturally produced resource nor naturally scarce. Instead, it is human-produced and artificially scarce.

b) Rather than being an efficient rationing device for organising land and its related resources for meeting the productive needs of a society (as it is defined by classical definitions, more applicable in isotropic spaces), rent in urbanised spaces is produced by a social group, acting as a class and aiming at incrementing its price without producing anything for it.

c) The city is a space where power relations matter. The urban ground rent is shaped by the interests of the land owners acting together as a class in order to raise the rate of return when there is not enough scarcity[19]. This is a particular form of ground rent, seldom stressed by classical or neoclassical authors, and that usually largely exceeds differential land rents. Urban rent as 'class-monopoly rent' is based on the interests of the owning bourgeoisie who on the one hand intervene in political and institutional arrangements and influence the urban land market seeking to obtain a better rate of return, and on the other generate extra surplus because they own a scarce commodity, which is the well-located city space and/or building, rented or sold in the market at much higher price than its real cost of production (Borisov *et al.*, 1965).

d) This class power is exercised in order to reduce the uncertainty of land-use competition, and takes place through governmental regulation (planning controls, provision of infrastructure, subsidies, or even political corruption), giving the speculator or developer reasonable expectations over the long run. State institutions and regulations, a 'superstructure' made by the ruling class,

[19] Marx observed a contradiction within the bourgeoisie when the full accumulation of rent by landowners undermines the rate of profit of industrial capitalists, who are dispossessed from those rents (Marx, 1995). This contradiction finds analogy in the city between speculative landowners (who profit from land increases fully appropriating the socially produced rent) and urban developers (for whom most of their investment goes on paying the land price). As seen in CHAPTER 3, in Chile this contradiction tends to be non-existent because both economic agents are essentially the same.

pursue the maintenance of this existing organisation intact, while allowing growth and accumulation, avoiding cyclical crises and controlling social discontent. This process rests, essentially, upon the nature of liberalism, and its ideological, economic and political principle of private freedom, regulated by the exertion of class power (Jessop, 2002). This aspect will be further developed in section 2.4.

e) Rent in an ascendant way, percolates upwards but not downwards; it transfers money from low or middle income groups to the dominant bourgeoisie, transiting from differential into monopoly rent, ending finally in financial spheres. If, as Marx (1995) noted, during the industrial revolution, money was transferred from a productive bourgeoisie to a landlord-class (this applied to the period of mass industrialisation in the world during the 20th century too) after the abovementioned 'urban revolution' in the second half of the 20th century (Lefebvre, 2003), the ground rent started to be extracted from the rented land or building, rather than from productive processes.

f) The modern mechanisms of class-monopoly rent need to operate in constrained markets (with the aim of generating scarcity), these being one of the main producers of urban spatial fragmentation. The exploitation of rent needs to be produced in segmented niches, usually spatially constrained sub-markets, for the purpose of assuring enough scarcity within them. Building regulations are vital for this (for instance, through guidelines that limit the small-budget construction) so certain geographical areas are aimed at certain income groups whilst the social access to those areas is constrained insofar as land and property prices increase. The impact on the price of housing results in large sectors of society "finding barriers to operate in the market in so far as their 'need of housing' is not paralleled by a payment capacity that guarantees [enough] levels of accumulation to the producers of this commodity" (Jaramillo, 1981: 21; my translation from the original in Spanish).

g) Class-monopoly rent in the city is a reified mechanism; it responds to the necessity of creating money without producing value. This responds to the rules of the financial market, where the primary circuit of capital is radically moved

into the second one – speculative and land rent-based – always under the condition that the urban realm offers better rate of return rates than the financial or commercial market. Otherwise, capital is sent back to productive spheres again. This is thus a plausible explanation for the process of massive reinvestment and renewal in formerly dilapidated areas, as seen in the following sections.

2.3.2. Rent gap: a mechanism of creative destruction

Largely based on systematic observations of urban ground rent variations, Neil Smith proposed for the first time in 1979 that the 'back to the city' movement and the revitalising inner city areas in North America could in fact be explained less by the cultural preference of a 'returning' suburban bourgeoisie and more by the existence of an increased potential ground rent and a lowered ground rent in those areas. This considerably augmented the potential rate of profit, provoking a rise in the demand for development in the inner city space (Smith, 1979).

In fact Smith was providing an explanatory model for both inner city decline and 'regeneration', a definition also highly congruent with the theses of inner city decay due to de-industrialisation (Hall, 1981; Wilson, 1987, 1996) with one sole difference: the rent gap is integrally set within the logic of circulation of capital within the secondary circuit. According to Smith's hypothesis, it was the monopolised urban rent which produced – in conjunction with the fixity of the capital invested in land (the initial construction and its successive improvements) and its long turnover period – the cycles of devaluation and decline experienced in the inner city. So, landowners' class-monopoly control of space

> prevent the sale of land for development [whilst] the fixity of investments forces new development to take place at other, often less advantageous, locations, and prevents redevelopment from occurring until invested capital has lived out its economic life [and] the long turnover period of capital invested in the built environment can discourage investment as long as other sectors of the economy with shorter turnover periods remain profitable. The early industrial city presented just such a barrier by the later part of the nineteenth century, eventually prompting suburban development rather than development *in situ.* (Smith, 1979: 541)

The fading industrial inner city was thus an effect of the movement of capital to the suburbs where higher returns were comparatively more attractive. Thus, a combination of concerted disinvestment by investors from the inner city, due to its high risk and low rates of return, triggered a long period of deterioration and lack of new capital in these areas. After decades of sustained suburbanisation, a valley in the ground rent curve deepened in the inner city due to a continued lack of productive capital local investment (Ibid).

After a certain time, a rent gap appears. This gap is the disparity between the 'capitalised ground rent' (CGR, rent attracted by a piece of land), devalued by the current dilapidated use of land, and a 'potential ground rent' (PGR), increased by the new improvements in the surrounding area (Smith, 2000b). CGR is

> the actual quantity of ground rent that is appropriated by the landowner, given the present land use. In the case of rental housing where the landlord produces a service on land he or she owns, the production and ownership functions are combined and ground rent becomes even more of an intangible category though nevertheless a real presence; the landlord's capitalized ground rent returns mainly in the form of house rent paid by the tenants. In the case of owner occupancy, ground rent is capitalized when the building is sold and therefore appears as part of the sale price. Thus, sale price = house value + capitalized ground rent.
>
> Potential ground rent [means that u]nder its present land use, a site or neighborhood is able to capitalize a certain quantity of ground rent. For reasons of location, usually, such an area may be able to capitalize higher quantities of ground rent under a different land use. Potential ground rent is the amount that could be capitalized under the land's "highest and best use." This concept is particularly important in explaining gentrification. (Smith, 1979: 543)

So, PGR implies the 'highest and best use', or at least higher and better use given the central location of the inner city space (Smith, 1996a). However, its realisation can come exclusively from the development that involves an intensity of fixed capital investment designed to accommodate this potential use. Therefore, actual ground rent will equal potential land rent as the full resources of the site are redeveloped.

Theoretically, both CGR[20] and PGR start at the same level when a plot is first developed (see Figure 2.2). However, since surrounding urban development conditions change over time, allowing 'better' and 'higher' possible uses, the value of the buildings fixed to the site constitute a stumbling block to those possibilities. The building has come to no longer correspond to the changed context, given that urban development pushes up a site's potential land rent to a certain level correlated to a greater intensity of capital investment and/or a 'higher' type of use. Hence, the rent gap constitutes an economic pressure for a site which has become increasingly inadequate to its 'highest and best' use (Smith, 1979). Improvements to the plot would become obsolete and capitalised land rent would decline. Eventually, an economic pressure emerges, impelling the site towards redevelopment with higher intensity and type of use (Clark, 1995; Hammel, 1999).

Central to the rent gap is the notion of 'spatial fix'. Although additional building investment and/or upward shifts in use are possible, the original investment tends to lock the site into a determined range of intensity and type of use during the life of the building. It is due to the large size of building investments, the durability of the built stock, and the interest of investors to harvest returns that instantaneous and continuous adaptations in the urban space economy are not experienced in every case. Instead of constant equilibrium in the space economy through instantaneous responses to every potential land rent, there is a "nightmare reality of chaos in the built environment resembling a frenetic game of musical chairs" (Clark, 1995: 1491).

2.3.3. The cycle of valorisation-devaluation: a specific form of spatial creative destruction

As epitome of the monopoly control of rent, Smith's five-stage model of decline describes how the rent gap is produced in a given spatial and temporal context, so it

[20] Particularly important for the analysis of rent gap is the following: whereas the value of land is appropriated in economic transactions as ground rent (hence the concept of 'rent' gap), the building value (BV) must be conceptually separated from land value, even if the actual selling price of a plot usually incorporates in a single amount the value of the building and the land. This point will be recalled in CHAPTER 5.

results from a complex pattern of infrastructural investment, disinvestment and reinvestment, that allows that large rent gap areas (when other conditions are fulfilled) can be widened and closed through gentrification (Smith, 1987). But this is a "rather schematic attempt to explain the historical decline of inner-city neighborhoods in terms of the institutions, actors, and economic forces involved." (Smith, 1979: 543-5) Without entering into quantitative explanations, the model accounts for the causes and effects of the variations of CGR in an urban area. This scheme comprises the following stages:

a) **New construction and first cycle of use:** House prices reflect the value of the structure and improvements plus the ground rent. The house value would be only slightly diminished with use, while CGR increases due to surrounding urban development.

b) **Landlordism and homeownership:** In view of the gradual and inevitable devaluation of their buildings, homeowners and landlords tend to de-invest, producing a decline in the quality of the building, a considerable decrease in the CGR and an expanding effect of lowering rents in the rest of properties in the neighbourhood.

c) **Blockbusting and blow-out:** Real-estate agents tend to accelerate building devaluation exploiting racist (or classist) outlooks of decadence among homeowners[21]. Blow-out is the outwards spreading of slums from the inner city in order to amplify the rent gap "and the consequent squeezing of still healthy outer neighborhoods against secure upper-middle-class residential enclaves lying further out." (Smith, 1996b: 66) When the neighbourhood is mainly a renting urban market, the creation of rent gap also comprises attempts to sapping existing local infrastructure seeking to artificially decrease CGR in the area of interest, deepening artificially the gap between an even more devalued land and its market price, improving the potential profit for the owner in case of future regeneration (Parker, 2004; Smith, 1987).

[21] In North American cases, fear-provoking white owners with the imminence of new black or Latino residents, just to get hold of their properties at lower prices and resell them at higher prices precisely to black or Latino newcomers.

d) **Redlining:** Financial institutions that could operate in the neighbourhood declare these areas financially not viable, further hampering access to funds for maintenance and repair by local people. Aalbers has observed that in redlined urban areas there is an observable increased presence of ethnic minorities or socially excluded groups (Aalbers, 2006).

e) **Abandonment:** Progressively, properties are abandoned, even sound ones, as they stop being profitable. The tightening of municipal requirements and ordinances and costs of insurance play key roles in this process. Finally, the neighbourhood is deteriorated to the extent that each of the properties can be bought for a song. This is the time when gentrification becomes a real possibility (Darling, 2005).

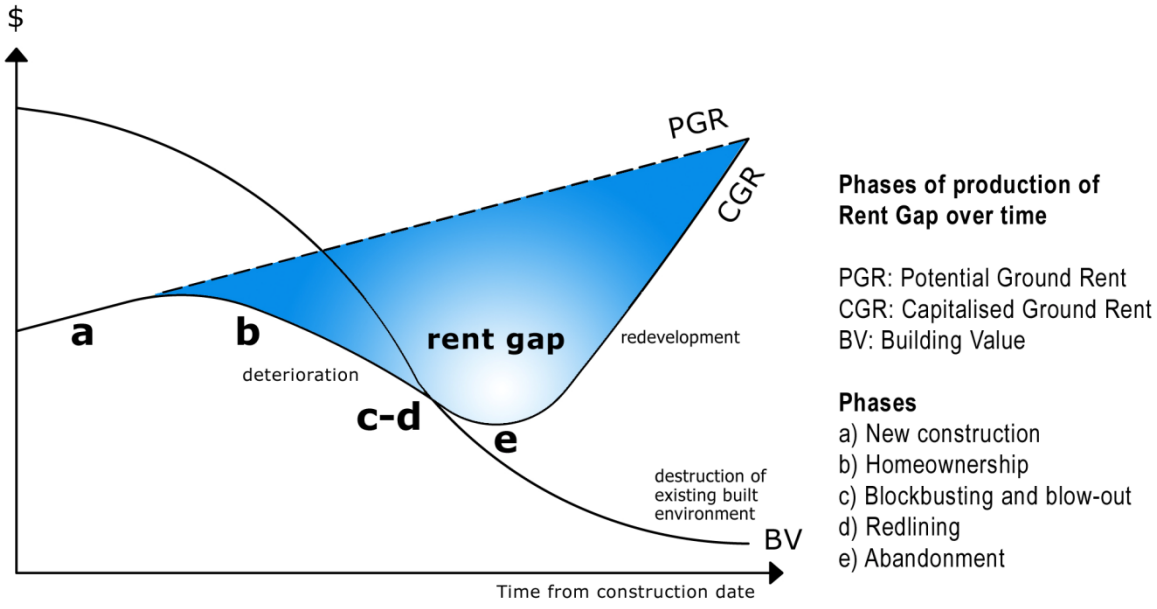


Figure 2.2. Model of inner city ground rent valuation/devaluation

Source: Clark (1995)

As Eric Clark (1995: 1497) stresses, the tension between actual and potential ground rents is far from being "clinically clean of ties to power in social contexts nor of ties to the imagery of agents." In fact, it is the opposite. For the appropriation of the rent gap, the state and private owners and investors have specific roles. The former creates the

economic, legal, and administrative framework; the latter responds to its private interests over land rent accumulation. But the artificial creation of rent gap by diminishing the quality of life of an environment is inherent to the previous phases of every process of gentrification (Smith, 1996b). Obviously, this devaluation has plenty of social connotations.

Hammel (1999: 1291) observes that potential ground rent (PGR) is produced by factors that work at the scale of the entire city (i.e. the logic of rent distribution in the metropolis, the location within the metropolitan area, development of infrastructure and land use policies), whereas in contrast the CGR is constructed at neighbourhood scale, since

> the perception of an impoverished neighbourhood prevents large amounts of capital from being applied to the land [and t]he surrounding uses make high levels of development infeasible, and the property continues to languish. […] factors at the neighbourhood scale constrain the capitalised land rent to a lower level.

In fact, what Hammel does is to broaden Smith's definition of CGR, zooming out the focus from the single plot toward the whole neighbourhood or even larger scale. The appraisal of a piece land is constructed always by observing the conditions of its surrounding environment. Only from this point, it is possible to firmly argue that capitalised land rent is in fact socially produced, and that an existing social milieu could devalue the CGR in a neighbourhood.

2.3.4. Criticising and justifying the rent gap theory

The rent gap theory has been largely debated during the 1980s and 1990s for its supposed rejection of individual and social agency as factors that determine neighbourhood redevelopment (Duncan and Ley, 1982). Several authors have argued that real factors of gentrification, instead of rent gap, are the specific, unpredictable agency of developers (Bourassa, 1990, 1993) and newcomers. This debate engages with the essential definition of gentrification and its causes.

From the so-called consumption-side, some scholars have stressed that gentrification is mainly a demographic change of middle-class identity. They also claim that best explanations of gentrification in inner city neighbourhoods are the gentrifiers' postmodern lifestyles, a break with the stereotypical patriarchal household predominant in the middle-class suburbs and left-wing political preferences and tolerance with sexual diversity (to be found in the gentrifying inner city and not in the middle-class traditional suburbs), a 'superior' sense of aesthetic, and a general antiestablishment middle-class rejection of suburban life styles. All these elements have been considered as necessary conditions for gentrification (Bondi, 1991; Bridge, 1994; Ley, 1994, 2003; Rose, 1984). Other aspects considered have been the concentrations of highly specialised jobs in the central areas which attract these new emerging postmodern classes (Hamnett, 1991; Ley and Hiebert, 2003; Slater, 2006). And even more recent approaches have stressed that the cultural practices of gentrifiers – and not the process of ground rent appropriation – are the main class-implication in gentrification (Bridge, 2001). Probably, the common denominator in this ample gamut of approaches is that inner city change is due to a highly heterogeneous and unpredictable group of actors. Therefore, these must be researched in their cultural aspects rather than being conceived as structurally determined economic agents in search for economic profit.

But gentrification has proven to be much more than cultural change and demographic replacement. 'Social displacement' is also a crucial necessary condition for it (Shaw, 2005, 2008). Clark further stresses the root causes of gentrification quintessentially as commodification of space, polarised power relations in the city and the dominant vision of the 'vagrant sovereigns', i.e. developers, all elements highly intertwined with ground rent policy-led variations-accumulation and its effect in the neighbourhoods (Clark, 2005). Hence, to assimilate (and criticise) the rent gap as solely economic superstructure determining the location of gentrification – as implied by Ley (1987), for instance – might be a misinterpretation of the rent gap theory (Lees *et al.*, 2007). Nevertheless, little by little, the debate about gentrification has tended to reach a synthesis between the two antipodes of consumption-based and production-based (rent gap), since they are not mutually exclusive and in fact constitute only partial explanations of a whole phenomenon (Hamnett, 1991; Lees, 2000). Furthermore, precisely thanks to this debate, theorists of rent gap have nurtured their initially purely economic-based determinism with doses of social agency. These have tended to accept non-rational motivations of

public sector officials, real estate agents and/or newcomers as factors for deciding where urban renewal is to be allocated, and even to examine some 'revanchist' practices (Smith, 1996a, b), as will be discussed in sub-section 2.4.3.

But above all, the adoption for the present research of the production-based theory has three main reasons. First, in Santiago, real processes of differentiated upper-income groups socially reshaping the inner city areas are very rare events, whereas class-monopoly rent appropriation has been experienced during the entire modern history of the city (as will be illustrated in CHAPTER 3). In fact, consumption-based approaches have considerably rested on evidence mostly from North American or European cases, but might be rather exogenous to realities like Latin America.

The second reason arises from the observed historical nature of the process of peri-central decline and renewal in Santiago. As Smith (1996c: 1202) argues, "[t]o explain the microgeography of gentrification in particular places at particular times [and based on individual choices by developers or gentrifiers] will take a lot of detailed empirical and historical research", risking gentrification and renewal to become chaotic, unpredictable phenomena (Clark, 2005). This thesis therefore aims at searching for, to a feasible extent, historical regularities instead of discrete and particular events.

Third, it has been proposed that the rent gap theory seems to be more applicable in deeply liberalised capitalist urban economies where combinations of factors such as active urban developers and pro-gentrification public regulations act more decisively (Millard-Ball, 2000) than in less liberalised, more regulated contexts of the world. Therefore, after 17 years of iron-fist imposed neoliberalisation and almost 20 years of subsequent development of a market-based model of urban development, Santiago might be a good example of rent gap appropriation.

2.3.5. Why does rent gap trigger urban renewal?

The rent gap theory is probably the most convincing explanation of why peri-central areas decline and redevelop, in liberalised contexts and where urban space is integrally commodified within the second circuit of capital. Citing Smith's own words, inner city

renewal could be “a back to the city movement all right, but of capital rather than people.” (1979: 547)

Up to here it seems relatively clear that neighbourhood decline is due to human agency. The five-stage scheme proposed in sub-section 2.3.3 suggests who some of these social agents are and the forces they react to and help to create. The underlying mechanism that works in the peri-centre is the depreciation and devaluation of capital invested in the neighbourhood, a depreciation that produces the objective economic conditions that make capital revaluation a rational market response. Gentrification occurs therefore when the rent gap is wide enough for developers to purchase land cheaply, pay the builders’ costs and profit from rehabilitation, pay interest on mortgage and construction loans, and sell the end product at a price that leaves satisfactory revenue to the developer. The whole or a large portion of ground rent is then accumulated whereas the neighbourhood has been ‘recycled’, beginning a new cycle of use (Smith, 1996a).

Once the rent gap is wide enough, redevelopment, renewal or simply reinvestment might be initiated. This certainly contradicts the theses of gentrification as produced by individual consumers’ preferences rather than produced by this sort of collective social action of market agents that radically transforms the context in an inner city area. All the consumers’ preferences would be ineffective if the traditionally absent sources of financing did not reappear, or furthermore, if the state did not commit to provide other forms of subsidy or stimulus to private market revitalisation, by

> assembling properties at fair market value and returning them to developers at the lower assessed price [and accomplishing and bearing] the costs of the last stages of capital devaluation, thereby ensuring that developers could reap the high returns (Smith, 1979: 546).

Therefore, a wide open rent gap is a necessary though probably not sufficient condition for urban renewal, with the public sector’s intervention as an important factor, e.g. when the land has already been developed, an intricate pattern of property rights exists and it is difficult for the developers to put together sufficient land and properties to make involvement worthwhile. The fragmented structure of property ownership makes the occupier developer, who might be an inefficient operator in the construction industry,

into an appropriate vehicle for recycling devalued neighbourhoods. However, when renewal implies much broader scales, the role of small scale firms seems unsound.

> The rent gap expands. Eventually, given favourable conditions and interested agents, future annual land rents associated with redevelopment come into view on the time horizon and grow from negligible to considerable. The site is 'doomed' to higher and better uses housed in more *intensive* capital investment appropriate to those uses. The rent gap closes as the value of the current building approaches zero, no longer constituting a force of inertia for land-use change or a hindrance to the realisation of potential land rent. The force of the rent gap is already history during the years just prior to redevelopment. (Clark, 1995: 1496)

All in all, it is still necessary to address the social issues implicit in every process of urban renewal, commanded either by private developers or the local- or metropolitan-state acting as main promoter, especially if the areas to renew are inhabited by low-income, though consolidated social communities where the structure of property has been historically fragmented. At this point, it is convenient to quote the prophetic words of Engels regarding the transformation and beautification of the Victorian cities' working class quarters and

> particularly in those which are centrally situated, quite apart from whether this is done from considerations of public health and for beautifying the town, or owing to the demand for big centrally situated business premises, or owing to traffic requirements, such as the laying down of railways, streets, etc. No matter how different the reasons may be, the result is everywhere the same: the scandalous alleys and lanes disappear to the accompaniment of lavish self-praise from the bourgeoisie on account of this tremendous success (Engels, 1995).

As Engels envisaged a hundred and fifty years ago, inner city redevelopment is not purely dependent on injections of capital in areas of increased rent gap but on market analysts and property surveyors, besides speculation, luck, political influences and, over all, class resistance, configuring altogether complex social systems of spatial transformation (Brenner and Theodore, 2002). Nonetheless, probably what is more decisive amidst the current globally widespread neoliberal forms of inner city redevelopment (Atkinson and Bridge, 2005; Smith, 2002) is the active intervention of the state, seeking to create the economic conditions and processes for assuring

reinvestment in disinvested inner city areas, and make them so alluring for investors[22] (Hackworth and Smith, 2001; Smith and DeFilippis, 1999) and useful for enhancing urban competitiveness and image promotion of the metropolis (Bernd and Helms, 2003).

Moreover, as Harvey (2005) has recently claimed, neoliberalism, paradoxically based on the discourse of state-free markets, finds its major contradiction when an elite of state technocrats exerts intensive power towards the liberalisation of the space. Friendly-faced entrepreneurialism seeks to restock the profitability of the outmoded former industrial areas, developing newer, more adaptive mechanisms to make the built environment more flexible and attractive for the investment criteria of the flowing property market capital. However, inevitably, in areas of large rent gap, local people can interfere in the circuits of capital and even provoke unnecessary switches into primary or tertiary circuits, or even make the desired investors depart (Harvey, 1985). Hence the other side of the coin of entrepreneurial urbanism are equally refined but more aggressive forms of neoliberal governance, that seek to discipline a social space and even cleanse it of potential sources of class-related conflicts (Smith, 1996b). This point is explained in the following section.

2.4. Urban entrepreneurialism as state-led urban renewal

2.4.1. Entrepreneurial urbanism

Concomitant to neoliberalisation since almost thirty years ago, entrepreneurialism replaces fading managerial Keynesian state-roles with local speculative governance (Harvey, 1989a; Mitchell, 1998), seeking to revive the competitive position of urban economies, especially through the liberalisation of private enterprises and a sort of advanced commodification of the social networks and infrastructures, i.e. community-support systems, schools and churches, and so on (Atkinson and Bridge, 2005; Leitner, 1990; MacLeod, 2002). Entrepreneurial governments play highly supportive and/or

[22] From a North-Atlantic perspective, Hackworth & Smith (2001) define the present time (after the late-1990s crisis) as a 'third stage' in gentrification evolution, that consists of real estate markets heavily reliant on the state. As seen in CHAPTER 3, this has been rather a historical constant in Chile.

direct roles in the creation of new enterprises, preserving and increasing labour, providing infrastructure, sites, tax lures, and cultural and social attractions (Shaw, 2005).

However, a different feature of the entrepreneurial state, from earlier periods, is its willingness to assume financial risks without properly guaranteed returns (Zukin, 2006). New local roles are directed to negotiating with the finance capital for offering specific local attractions, not the urban whole, in order to make these constrained spaces competitive and its economies tied to global circuits of exchange (Vigar *et al.*, 2005). The dialectic global/local finds one of its major expressions through urban entrepreneurialism. Five main features of entrepreneurialism are:

a) Notions of public-private partnership seek to attract external sources of funding such as new direct investments or new sources of employment. Therefore, if ideas for redevelopment originate from the private sector they should be enhanced by business-friendly environments set by local and state governments (Mitchell, 1998). At any rate entrepreneurial urbanism does not mean less but more active state engaged in real estate business, as well as more open involvement of business elites and other groups of interests in strategic spheres of the state (Ward, 2003).

b) Contradicting the managerial rationale of planning and coordination implicit in the Fordist-Keynesian mode of regulation, the entrepreneurial public sector needs to be speculative in stages of design and execution. Financial dangers come from speculation whilst political dangers are inherent to unequal prioritisation and distribution of resources. Since the state-backed infrastructure reduces costs and risks to private interests, those back-ups make the private investment more volatile. Entrepreneurial urban investments simply cannot predict exactly which endeavour will succeed and which not, in a global context which is considerably unstable and hazardous. Another consequence is social concern in the adjacent territories and residential communities, when speculation with land and rapid changes in land prices take place. But the entrepreneurial resource distribution diminishes the local provision for the underprivileged, because mobile private capital needs the maximum investment for itself as a way to assure better local comparative advantages (Harvey, 1989a). Therefore,

entrepreneurialism sets a zero-sum game of public-private investment, deeply easing the increase in capital circulation and revenue competition (Peck, 2005).

c) Entrepreneurialism is based on advances in transportation and communications and the gradual speeding up in the overcoming of regional and global spatial barriers, namely 'space-time compression' (Harvey, 1990). As places have been drawn into a web of global exchange, governments have therefore turned to local initiatives to avoid urban decline and annihilation of their economies, privileging investments in certain spatial nodes, such as state-backed large urban projects (Biderman *et al.*, 2006; Lungo, 2002; Lungo and Smolka, 2005), urban waterfronts, major urban festivals, events and 'glocal' infrastructural and technological development, in spite of needed funding for social development in the most deprived areas. Entrepreneurialism mechanically supposes there would be a trickle down into the latter.

d) The concentration of investment in strategic local areas secures the city's position within national and international circuits of exchange and investment but at the cost of bypassing their adjacent territories (Harvey, 1989a: 16; Vigar *et al.*, 2005), this being one of the main features of the neoliberal 'splintering urbanism' (Coutard, 2008; Graham and Marvin, 2001). However, as defined in sub-section 2.3.1.c, the concentration of investment in well-delimited spaces also responds to the need of landed capitalism to secure its monopoly forms of accumulation, assuring enough scarcity of renovated space as a way to keep it at its maximum exchange value. Hence, the largest rent gap areas (often close to the urban core) are the object of reinvestment while others – with narrower rent gaps and hence riskier for reinvestment – are left waiting for future operations (Niedt, 2006).

e) According to Peck & Tickel (2002), the entrepreneurial normalisation of a 'growth first' approach has made social investment and distribution antagonistic to the anticompetitive common good. Entrepreneurialism bans and replaces collective, non market-based forms of social organisation developed for instance by means of working-class mobilisation, whereas the "*shifting role of the state* from provider of social support for lower-income populations to supplier of

business services and amenities for middle- and upper-class urbanites" diverts public funding from untargeted, non-competitive areas (Wacquant, 2008: 199). Instead, market-driven logics are taken as normal societal and economic behaviour, such as choice, social competition for resource allocation, aggressive economic competition between urban areas (including the punishment of non-competitive zones or economic sectors). Hence a de-politicised and de-ideologised society becomes vital for assuring localised growth.

2.4.2. The created entrepreneurial space

The latter observation is because entrepreneurialism is quintessentially privatist[23]. According to Squires (1996), entrepreneurial cities must work closer to private interests in order to establish more comparative advantages in an increasingly competitive economic climate. To reinvigorate downtowns implies more jobs, more intensively used public space, more money earned and spent by local residents, new property and income increasing local reserves, and new wealth that supposedly trickles down throughout the rest of the city. Public policies are thus directed to private interests, whilst policies in favour of empowering or increasing consumption by existing local communities are explicitly rejected.

The privatist city imposes a sole concept of city and cityness: a fashionable urban cosmopolitanism, as a pillar for policies of public space development, imposed over old-fashioned attitudes towards social difference (Vigar *et al.*, 2005). The construction and imposition of a simplistic but unified conceptualisation of a 'nice' city is crucial for the creation of the neoliberal ideal of a consumer society. And this simplistic discourse is easy to reproduce and sell (Flusty, 2001).

For example, the creation of attractive places for 'creative classes' fulfils the need of having a unified urban meaning whilst promoting concentrated redevelopment. Much popularised by Richard Florida as a postmodern reinterpretation of Jane Jacobs' (1967, 1970) heterogeneity and healthy urbanity, entrepreneurial urbanism seeks to produce

[23] Privatism implies that public spheres reduce their importance while the pursuit of personal or family interests acquires more relevance. See Appendix 1-Glosary for further definition.

highly active spaces, commodified amalgams of cultural environments, artistic new colours, 'new ideas', 'bohemian effects', mixed with business creativity. According to Florida, the creative class has the power to revitalise entire city centres or even regions by engaging in renewed productive cycles, innovation capacity and – probably more important in sociological terms – openness to different kinds of people and ideas, configuring a type of post-modern, a-class type of tolerance (Florida, 2002a). In sum, a new middle-class society that becomes the driving force for a new economy based on a new economic asset: creativity. Society thus marches to be stratified in two classes: the 'creative haves' and the 'creative have-nots'. For the new dominant actors, resemblances of exciting inner cities environments, reproduced and cleaned by postmodern architecture and urbanism, are good urban environments to be lived and consumed (Peck, 2005).

However, from the perspective of the 'creative have-nots', entrepreneurial spaces might well resemble what Lefebvre (1991) once called 'abstract spaces'[24], in which users and behaviours ought to be either domesticated or evicted (Atkinson, 2003a). For McCann (1999), abstract spatiality presumes the existence of a spatial economy which valorises only certain human relations in particular spaces of control and consensus (shops, cafes, cinemas); spaces supposed to be trouble-free, quiet areas for the reproduction of commodified relationships. The combination of consumption, entertainment and popular culture promotes a privatised sense of city life as an attempt to look like traditional streets but avoiding dangerous aspects of diversity. Several codes of behaviour, prohibitions and morphological design contribute to avoid not only the poor or the undesirable, but even to castigate the non-consumers. And if the abstract space is to be imposed in the inner city as resemblance of traditional landscape, this is done as a-historical spatiality, especially when the local history is related to racial, ethnic or any kind of exclusionary struggle between dominant forces and those marginalised.

[24] One property of urban planning in capitalist contexts is its role of representing abstract spaces, as rhetorical instruments of social organisation. The space of planners and policies always remains abstract since it is conceived rather than directly lived (at least it can be simulated), a space constructed, in many cases, by a system of verbal signs (Lefebvre, 1991) or unintelligible codes. Whilst abstract space results to be the dominant in any western capitalist society, its expression through planning reflects the capitalist ideology about the city and the urban (Castells, 1985b; Lefebvre, 1996).

This point acquires special importance in the plans of regeneration in inner city areas, where a main goal is the homogenisation of the urban environment through false-reconstituted fashionable historical images, or environments made for excitement and ecstasy, reinforcing the city's recreational capacity through the so-called 'disneylandisation', or rampant trivialisation of the city (Burgers, 2000).

All this construction is essentially contradictory. Whilst emphasising multi-functional heterogeneity, tolerance and creativity, the entrepreneurial space concentrates more homogeneity based on globalised and standardised images of modernity, whilst producing residual fragmentation and marginalisation. The urban space is thus transformed into a collection of ghettos where some individuals are integrated and submitted to artificial constraints and others are isolated and marginalised. The only way for inhabitants to prosper is to assimilate. However, this inherent contradictory nature of the imposed abstract space might produce frustration and, in extreme cases, sudden and massive social upsurge. If the latter is to happen, it must be domesticated too (Atkinson, 2003a, b).

2.4.3. A case of entrepreneurial urban management: the 'Barcelona Model'

An appropriate example of urban entrepreneurialism may be the urban transformation of Barcelona, from the early 1980s onwards (as part of post-Franco political transition), and especially after the Olympics held in 1992. This is because urban planning and management associated to the 'Barcelona Model' migrated from a pre-1992 small-scale, participative model of urbanism to a top-down, rent-seeking system of urban interventions (Capel, 2007).

In the early 1990s, and partially due to a favourable post-recessionary economic context, Barcelona became an "efficient, clean and cultured city" (Monclús, 2003: 2), less a particular phenomenon and more a case of exportable international urbanism, given it demonstrated combining successfully small-scale projects and large scale strategic interventions. The 'wannabe' character of medium-sized Barcelona became greatly attractive for other cities' strategic plans that sought to similarly improve their images in

the global market[25]. Moreover, the entrepreneurial and technical knowledge of the Barcelona Model was exported to Latin America by the Ibero-American Centre for Strategic Urban Development (CIDEU) as strategic partner and technical consultant for local governments, Santiago de Chile included (Steinberg, 2001).

Nonetheless, the Barcelona Model has been in fact an adaptive process over the last three decades. An initial approach was set in the 1980s when, according to Capel (2006), the goals of the plan were modest – it aimed at regenerating the most decayed zones only, due to the limited financial capacity of the state and local private stakeholders – and the scale of its projects was small. In ideological terms, the premise was to produce a small-scale urbanism, opposed to the principles of large-scale, a-historical Modern Planning, reinvigorating public spaces and promoting a compact city instead of an expanded one. The Plan was in fact a 'No-Plan' – some even consider Barcelona's was not a 'model' either (Bohigas, 2005) – but a number of relatively successful, well designed architectural and emblematic urban interventions.

However, along with the 1992 Olympics, the scale of resources and ambitiousness of the aims for Barcelona's redevelopment increased. The overarching goal changed. From then on, it would be to set up a new image of the city that combined its historical heritage, an attractive international business centre and a reinvigorated infrastructure for fashionable cultural production. Numbers of strategic projects arose: marketing and 'rebranding' of the city (e.g. the motto 'Barcelona look smart!' that comprised restoration of several traditional facades), private-public investment in the Olympic Area (with 2,000 new residential units produced; in fact, a brand-new residential neighbourhood), the reshaping of the city's six-kilometre waterfront aimed at business and leisure activities, cultural centres, museums, Expos, and so on, all of which had to be designed with the best international architecture (Monclús, 2000). Moreover, a radical restructuring of the city's road system and the implementation of 'areas of new centrality' were financed. As Monclús (2003) argues, Catalonian planners, from regulators of urban growth, turned to be its main promoters. Then came the 2002 Strategic Plan, for which

[25] For instance, by the late 1990s, several British middle-sized cities reshaped their images as cultural centres and magnets for attracting capital following the case of Barcelona (Wintour and Thorpe, 1999).

> [c]ompany organisations, unions and other representative institutions and agents of civil society have been involved in its preparation. This Planning strategy includes a series of social, economic and territorial objectives: transportation infrastructures, rehabilitation of the old town, reclaiming land from the sea to make new beaches, etc. To date all of these strategies have been successful and have had a very important impact. There can be little doubt that Barcelona [from then on was] a more 'competitive' city, well prepared to defend its positioning in the European urban network. Furthermore this strategy [was] ongoing: the next event – the Forum of Cultures planned for 2004 – [could] be also seen in this perspective. (Monclús, 2000: 61)

But the supposed benefits of the large scale interventions and entrepreneurial style of the model of development were soon put on trial by many actors. To build the Forum implied an unprecedented high scale of public resources, so the budget for many programmes of social development, social housing, urban security, etc. had to be reduced and those services diminished (Capel, 2006). Furthermore, the spaces of democratic citizen participation, opened during the 1980s, became depoliticised and residents' capacity of decision and intervention in planning issues became relatively irrelevant (Blakeley, 2005; Capel, 2005). Thus redevelopments in residential and industrial areas lacked proper accountability, and they turned to respond more to developers' rent-seeking premises than to a real plan or project for regeneration.

Precisely due to the unregulated building activity, there has been recently an oversupply of residential and office units in the Barcelona's market. There has also been a bias towards the production of upper-middle class residences, generating evident effects of social displacement in areas of previous concentration of low-income residents and/or immigrants (Tabakman, 2001). According to Capel, social unrest and demonstrations have increased in renewing neighbourhoods. Conversely, the available space for manufacturing activities decreased. From the late 1990s on, the industrial activity had no other chance but to out-migrate to the periphery, contributing to a sort of American-style expansion of the city's metropolitan area (Capel, 2007). By the mid 2000s, Barcelona was no longer a dense city, but a new CBD in a larger global metropolitan area (Garcia-López, 2008).

2.4.4. Cleansing and disciplining the 'others'

Seen through a political-economic lens, the previous case seems to prove that the entrepreneurial imposition of urban re-imaging is not an end in itself, but the means, among others, to another end: rent gap accumulation (Hubbard, 2004). However, as some recent conflicts in the renewing neighbourhoods of Barcelona show, the social and spatial effects of the highly localised, fragmentary entrepreneurial urbanism might be contested by adjacent low-income local communities that see the stability of their neighbourhoods or chances to remain in the place threatened by exorbitant increases in rents or land taxes, if the surrounding land of a large urban project is to be overvalued. Or it might happen that, due to its motivation rooted in the rent gap profit, urban renewal comes not where it is socially needed but where it is financially needed (Shaw, 2005). Urban entrepreneurialism being a highly speculative business environment, and financial capital set on urban renewal so volatile, any counter-reaction must be disciplined too, while interdictory urbanism and authoritarian state practices impose their entrepreneurial economic rules (Flusty, 2001). For its own social risk-aversion, the entrepreneurial urban space becomes a city of physical proximity but institutional rupture where islands of relative affluence need to secure themselves amidst seas of spreading decay (MacLeod and Ward, 2002), be this decay real or imagined as justification for future 'regeneration' (Gilbert, 2007; see below).

Since entrepreneurial projects need to bypass their inelegant surrounding territories, low-income inhabitants must not be visible. Therefore, strategies of entrepreneurial regeneration are generally based on zero-tolerance policies[26], forms of invigilation of some awkward surrounding areas, and eviction from the new central places (Bernd and Helms, 2003). Physical and societal forms of discipline are present in several forms of architectural design, CCTV (Van Criekingen *et al.*, 2006), private security and a range of legal impositions, as a way to inculcate acceptable patterns of behaviour in accordance with the imposed new commerce and new aesthetics. This can be understood as reclaiming public spaces for the groups who possess economic value as

[26] Policies based on the core idea of punishing even insignificant forms of disorder or public misconduct (drinking in public, begging, vandalism, graffiti, etc.). In western societies, where the state is the legitimated monopoliser of power, this idea drives legal frameworks and police behaviour to prevent such actions through the prior removal of undesirable people from certain areas (Bernd and Helms, 2003).

producers and/or consumers, virtually excluding the others[27]. In general, this tendency to control and towards social rejection has come to be called 'revanchism'[28].

Entrepreneurial discourses of urban regeneration have emphasised the concerns about personal safety and fear of crime as fundamental issues to be addressed by urban redevelopment projects (Flusty, 2001), attempting to construct new suitable and safe urban realms, based on "principles of social mixing, sustainability, connectivity, higher densities, walkability, and high-quality streetscapes" (Coaffee, 2005: 448). The new urban space promoted implies the establishment of "a new morality by referring to the 'good community' and it thereby attempts to engineer behaviour and social norms" (Bernd and Helms, 2003: 1848). Thus, behavioural restrictions are reified as 'normal' by the middle class society, as the price to pay for security (Coaffee, 2005).

Atkinson (2003a, b) argues that the artificial spatial boundaries between redevelopment and decay and the ruled behaviours imposed by entrepreneurialism over the space of renewal obscure the real social implications of inner city decline, which are political and economic. Entrepreneurialism simplifies the social and economic chains that lie behind working-class neighbourhoods and stigmatises the local population with insubordination when they do not respond to the macro-economic revivals affecting them. What entrepreneurialism does is then to install a prophetic and dystopian image of urban malaise in the inner city, or the imposition at any cost of the idea about the

[27] But evictions are not only constrained to social-spatial reconfigurations in inner city space. They also happen in academic realms. Some authors have recently observed trends of de-politicisation and eviction of critical theoretical perspectives from gentrification studies (Slater, 2006; Slater *et al.*, 2004; Watt, 2008), displacement of the working-class' perspective from studies on neighbourhood change (Allen, 2008) and even criminal prosecution of gentrification researchers (Smith, 2008).

[28] Or the triumph of a dominant entrepreneurial urbanism in which the state has to exert power for cleansing from the city what the Keynesian state had produced previously (Smith, 1996a, 1996b, 1996d, 1998, 1999), not only in terms of socio-spatial distribution but even by destroying the welfare system and social benefits developed (Baeten, 2002). From a privatist rationale, revanchism means blaming the dispossessed for the economic losses to the public treasury generated in the past (Keith and Rogers, 1991), a 'compassion fatigue' and erosion of public sympathy for the dispossessed. Revanchism does not simply make the poor invisible but it penalises them in defence of the victorious' privileges. Widespread anti-homeless policies have been epitome of revanchism (DeVerteuil, 2006). Although it has been considered too radical a hypothesis not applicable in every context (Slater, 2003; Uitermark and Duyvendak, 2008), the fact is that revanchist institutional practices have been observed in many cases from Europe and the USA (Atkinson, 2003a, b; Bernd and Helms, 2003; Hubbard, 2004; MacLeod, 2002; Niedt, 2006; Smith, 1998; Van Criekingen *et al.*, 2006) and even in South America (Swanson, 2007).

superiority of some forms of middle-class lifestyle, over the working-class environments, even if the latter, as many case-studies reveal, generate more benefits to the 'segregated' inhabitants of the low-income inner city neighbourhoods than the supposed more beneficial mixed-communities (Lees, 2008; Lees and Ley, 2008; Wyly and Hammel, 2008).

The spaces targeted for reinvestment are hence depicted as part of broad areas of intense poverty and decay. This is a way to justify policies of gentrification based on the appearance of diversity and 'social mixes', but sustained instead by processes of deliberate (or even involuntary) displacement or exclusion of the poorer (Shaw, 2008). This has been largely observed in British cases (Atkinson, 2000; Lees, 2008) and also in Spain (Díaz, 2008; Sargatal, 2000).

The political manipulation of social/urban deprivation is channelled precisely toward describing a reality of deficiency as justification of renovation and market-led growth. The main attempt might be to impose an agenda of easy 'regeneration' without (or with very little) social accountability (Wyly and Hammel, 2008), and to create a consensus around the idea that working-class inner cities must be rehabilitated, renovated or replaced anyway, escaping from closer public scrutiny. The rhetorical impetus of urban renewal depends on a movement away from a depressed present without necessarily portraying too detailed a picture of the destination those policies are moving to (Keith and Rogers, 1991).

This idea is shared by Alan Gilbert, who has recently observed the return of the word 'slum' into the language of developmental policies, as well as a too-heavy emphasis on disease, crime and difficulties associated with slum life. He claims that this is the kind of fears that already encourage the rich to move to their gated communities or, in this case, accelerate the destruction of yet perfectly liveable neighbourhoods. This political attitude is based first on an advanced desire for homogenised 'healthy' places and second on the fact that in cities where the general quality of housing gradually improves, areas that do not change at the same pace are condemned to be labelled as 'slums', because of their relative neglect to change (Gilbert, 2007), even if they are in good condition. But

> [w]hat makes the word 'slum' [even more] dangerous is the series of negative associations that the term conjures up, the false hopes that a campaign against slums raises and the mischief that unscrupulous politicians, developers and planners may do with the term. […] I am complaining about resuscitating an old, never euphemistic, stereotype; one that was long ago denounced as dangerous and yet has now resurfaced in the policy arena[29] (Gilbert, 2007: 701).

Rachel Weber (2002) uses the concept of 'urban blight' to refer to a similar phenomenon. Blighting is necessary for identifying and targeting, through quasi-scientific methods, the most interesting areas for private redevelopment, using biological or medical metaphors referred to 'cancers' or 'ulcers'. Blighting is, therefore, a primary justification (or a facilitator) for creative destruction. Furthermore, with the laudable purpose of 'healthy' cities, the moral implications of blight blur the boundaries between private and public responsibility since destruction becomes a prioritised goal at any cost, and these depictions can be expanded even towards areas which are only 'potentially' decayed.

> Obsolescence has become a neoliberal alibi for creative destruction, and therefore an important component in contemporary processes of spatialized capital accumulation. […] Obsolescence poses a greater threat to exchange values than to use values, whereas blight threatens both. An obsolete building, eg one that has overly high ceilings, is not physically unusable but rather cannot be used as profitably as one with lower ceilings and modern heating systems. (Weber, 2002: 526-532)

Always operating on the surface of appearances, entrepreneurialism refers to recycling, upgrading, and renaissance as antonym to blight. Even gentrification in some ways has become a nice world, symbol of social progress, equity and social justice in moribund spaces (Slater, 2006). Nevertheless

> [t]he language of revitalization, recycling, upgrading and renaissance suggest that affected neighborhoods were somehow devitalized or culturally moribund prior to gentrification. While this is sometimes the case, it is often also true that very vital working-class communities are culturally *de*vitalized through gentrification as the new middle class scorns the streets in favor of the dining room and bedroom. (Smith, 1996b: 35)

[29] Gilbert is not only criticising entrepreneurial policymakers and planners but also researchers that, according to him, are too biased at observing the worldwide proliferation of slums as pure effect of neoliberalism, e.g. Mike Davis (2004).

The political rhetoric behind blighting might imply precisely the opposite to the declared social aims of entrepreneurialism, which are trickle down, jobs increased, and the social benefits of mixture – in an intended reconstruction of community which comes rarely along with gentrification (Colenutt, 1991; Lees, 2008; Lees and Ley, 2008; Lees *et al.*, 2007). Instead, policies of blighting, when they target low-income neighbourhoods, might prevent the accumulation of ground rent by local homeowners, reproducing in turn forms of large-scale class-monopoly accumulation. Therefore blighting policies aim at producing dispossession of probably the most important economic asset of low-income homeowners: their ground rent (Harvey, 2006a).

2.5. Chapter conclusions: research questions, objectives and a hypothesis

The present chapter has outlined an explicative model of inner city areas in a context of capitalism, integrating both the causes of their historical decay and the current logic of their market-led urban redevelopment. Inner city decay and renewal are seen here as time-connected phenomena, stages of the continuous creative destruction of capital that switches from primary into secondary circuits and vice versa. In the first case, inner city decay is a result of the departure of invested fixed capital from industrial sectors during post-Fordism, a process that had considerable political, social and economic effects in inner cities worldwide.

In the second case, inner city renewal is the effect of the return to the inner city of the always-expanding capital, now purely set into the second circuit of capital, entailing the deliberate acceleration of the devaluation of the building value (BV) as a form of lowering capitalised ground rent (CGR) and increasing potential ground rent (PGR) in an urban area. Nonetheless, if the rent gap created is to be accumulated by private developers, different forms of state policies are required for protecting the unequal concentration of private capital in targeted neighbourhoods. Therefore, keeping a rather aggressive blighting stance regarding the surrounding territories and their generally lower-income inhabitants might contribute to accelerating their real decay if this stance is materialised in policies of real devaluation. In sum, although entrepreneurial

urbanism is not a sufficient condition for rent gap accumulation, it is a very necessary condition for it.

From this theoretical standpoint, the present thesis examines the following hypothesis.

> *For the case of Santiago de Chile, the expansion of private urban renewal from the centre toward the peri-centre, between 1990 and 2005, is based on a second wave of creative destruction, promoted by an entrepreneurial state seeking, as part of a broader policy of urban redevelopment, to increase the existing rent-gap which is therefore captured by large scale property developers.*

Although the theories of rent gap and entrepreneurialism outlined above have been induced by their authors from cases of the global north, they are interpreted here as structural logic of capital expansion and accumulation with general applicability. This thesis is in fact an attempt to analyse critically the structural logic of capitalist accumulation in the urban space of Santiago. Assuming that neoliberalism exports its forms of accumulation from the global centre to the periphery, rent gap and entrepreneurialism, seen as factors of creative destruction, could possibly apply in Santiago in very specific, though different forms. Yet it is precisely in the need to resolve this dialectic between structural theory and temporal and geographical specificity where the logic of analytical inference addressed in CHAPTER 1 appears. And it is precisely in the uncertain relation between theory and this peripheral context where the research questions and objectives of this thesis take form. Table 2.1 presents the research questions, and the general and specific objectives of this research.

Research Questions	General Objectives	Specific Objectives
1. Is the current process of urban renewal in Santiago part of a historical continuum of creative destruction?	1. To analyse comprehensively the historical production of the peri-centre (inner city) of Santiago during the 20th century	1.1. To observe and analyse economic, policy and social factors of historical configuration of the peri-central space of Santiago during the 20th century until 1973
		1.2. To collect historical information about the urban production of PAC *comuna* and its surrounding territory during the 20th century
		1.3. To analyse demographic, socio-economic and urban changes in the peri-centre of Santiago, produced since the neoliberalisation of the country started in 1973
2. How wide is the rent gap in the peri-centre and what are its effects in the space of Santiago	2. To verify and visualise the existence of rent gap in PAC and its surrounding *comunas*, from 1990 to 2005 (*)	2.1. To visualise capitalised ground rent (CGR) and building values (BV)in PAC between 1990 and 2005, comparing it with its peri-central neighbouring *comunas* San Miguel and Cerrillos
		2.2.To estimate potential ground rent (PGR) generated by Master Plan regulation in PAC *comuna*
3. What are the main policies and agents of rent gap enlargement and accumulation in Santiago and how do they operate in PAC?	3. To observe policies for potential ground rent (PGR) increase and capitalised ground rent (CGR) devaluation being applied in PAC, from 1990 to 2005	3.1. To asses entrepreneurial logics in the state and market actors and their different approaches to PAC
		3.2. To identify central- and local-state policies which increase the potential ground rent (PGR), analysing its technical mechanisms and social effects in PAC
		3.3. To identify central- and local-state policies which reduce the capitalised ground rent (CGR), analysing its technical mechanisms and social effects in PAC
(*) The period of analysis between 1990 and 2005 is justified because the current policies for peri-central redevelopment are produced during this time, as seen in section 1.4		

Table 2.1. Research questions and objectives

As seen in the table, Research Questions 2 and 3 focus on the potential observation of a rent gap in Santiago and the applicability of the conceptual definition of entrepreneurialism as an institutional mechanism of valuation and devaluation exerted by the state in the peri-centre. In consequence, General Objectives 2 and 3 aim at illustrating quantitatively and comparatively the variations of capitalised ground rent in a broad area composed by Pedro Aguirre Cerda and its neighbouring San Miguel and Cerrillos *comunas*. Also, since it is theoretically assumed that potential ground rent is to a great extern produced by changes in building regulations contained in local master plans (see CHAPTER 5), the analysis of PGR is focused exclusively on PAC, because this

analysis is based on an exhaustive quantitative examination of the *comuna*'s existing and proposed different building guidelines. In contrast, the analysis of the entrepreneurial logics of regulation contained in local and national policies is conducted qualitatively. Interviewees' discourses are used as research evidence.

Question 1 addresses in turn the applicability of the proposed historical model of creative destruction in the context of Santiago's peri-centre, especially regarding the extent to which Fordist-type geographies of accumulation and post-Fordist-type capital switching might have taken place there, as an effect of neoliberalisation. In consequence, General Objective 1 aims at collecting and analysing economic, policy and social factors of historical and current configuration of Santiago's peri-centre in general, and Pedro Aguirre Cerda *comuna* in specific. In fact, as the hypothesis proposes, peri-central renewal can be seen as part of a continuum of capitalist spatial creative destruction. But as Schumpeter (1976) claimed, it is only through history that the analysis of creative destruction makes sense. This is precisely the rationale that informs the examination of the historical working-class roots of Santiago's peri-centre in the following chapter.

CHAPTER 3. Historical creative destruction in the peri-centre of Santiago

3.1. Introduction

The present chapter aims at understanding the current condition and relevance of Santiago's peri-central space from an analysis of the historical economic and social forces that contributed to produce it. The chapter also aims at filling the gaps left by definitions of Latin American inner city reviewed in CHAPTER 2, some of which understand the peri-centre as produced by pre-modern processes of urbanisation. In contrast, this thesis argues that the intense processes of industrialisation and modernisation that took place during the mid 20th century in Chile led to the production of the peri-central space in Santiago.

Sections 3.2 to 3.5 delineate four forces deployed that contributed to the development of the peri-centre, namely: a) import-substitution industrialisation, which led to the concentration of productive and infrastructural investment, articulated several industry-based urban environments in the then Santiago's fringes (currently peri-centre) and enlarged social consumption to unprecedented levels; b) historical class-monopoly forms of land rent exploitation (see sub-section 2.3.1, page 57) that produced socio-spatial segregation and helped to corner the poor to live in irregular settlements in the city fringes; c) increasingly sophisticated state apparatuses that delivered low-income – yet quantitatively and sometimes qualitatively insufficient – housing; and d) since these three factors together were not enough for resolving the growing demand for shelter, a highly mobilised urban social movement[1] that until 1973 produced a number of self organised squatter enclaves (*campamentos*) [2] , later consolidated as low-income residential enclaves (*poblaciones*), located in the interstices of the inner city.

[1] Whilst 'urban movements' pursue short-term specific demands, 'urban social movements' pursue structural, long-term revolutionary change seeking to improve the class position of workers in relation to the bourgeoisie (Castells, 1985a, 1997). Although achieving limited results, the Chilean organised urban social movements were important factors of class struggle, from the 1960s to the 1980s.

[2] For more complete definitions of terms written in italics and acronyms, see Appendix 1-Glossary.

The content of this chapter is based on literature review, fieldwork observation and interviews. The temporal analysis of events is recursive: every section has its own time-line. Although issues of import-substitution industrialisation, to be addressed in section 3.2, are not treated from a spatial point of view, they constitute the basis for the subsequent sections' more geographical analyses. Section 3.3 analyses the highly speculative rental market which took place in Santiago until the late 1950s. This was a historical form of class-monopoly ground rent accumulation that worsened the situation of the homeless and cornered the grassroots to undertake the more radical solution of squatting. Section 3.4 focuses instead on the configuration of a state apparatus that sought to produce enough affordable housing located in generally cheap land and control the urban sprawl, but that was overcome by the growingly organised and radicalised social demand for shelter during the 1960s and until 1973. The latter is examined in section 3.5, revealing how, more than transitory squatter settlements, *campamentos* and state-built *poblaciones* together articulated a permanent working-class identity (later partially destroyed by the dictatorship) and specific spatiality currently observable in the peri-centre.

Nonetheless, while the ISI was the general context for the production of the peri-centre, this thesis proposes that the neoliberalisation of the national economy, imposed by the military dictatorship from 1975 onwards, led to a process of creative destruction in Santiago's inner city. Section 3.6 observes how, until the 1980s, the radical downgrading of the peri-central manufacturing enclaves, the housing apparatus and the social mobilisation generated deep economic and socio-demographic effects. Section 3.7 concludes the chapter, claiming basically that the current process of inner city creative destruction is not new, but the continuation of cycles of class-led, ground rent exploitation that have taken place during the 20th century.

3.2. Import-substitution industrialisation and the peri-centre

By the late 19th century, Chile started a process of slow-motion industrialisation especially concentrated in Santiago. In 1906 there were around 1,100 industrial establishments in the city, over 40% of the national productive capacity (Cataldo, 1985). This proto-capitalism, highly dependent on imported means of production (machinery

and means of capital circulation) was structurally incapable of creating surplus, to engender an urban working class with enough class consciousness, hence revolutionary power (although the nitrate workers in the North of the country can be considered as an important political force during the early 20th century) or to prevent that a reserve army of underclass grew excluded in the outskirts of the city (Salazar, 2003).

Chile, and Santiago in specific, had profited from the world monopoly production of nitrates since the 1880s. By the early 20th century, the city had received considerable investment in public works and started to compete with (and soon overcome) Valparaíso as the national most important centre. Santiago's population was around 300,000 inhabitants in 1900 (it had doubled in thirty years). Meanwhile new mechanical means of transport and the search for more suburban lifestyles by the bourgeoisie were expanding the city beyond its historical limits.

Nonetheless, with the Great Depression, the national model of growth based on commodity exports fell apart. In the 1930s, prices of imported assets increased, many industries closed and the exported commodities decreased, leading to high unemployment in the mining centres, thus accelerating migration of the unemployed to Santiago. The League of Nations estimated that in terms of exports and imports, Chile was leading the list of the most affected countries by the crisis in the world (Palma, 1984). This would create the first conditions that led to a period of import-substitution industrialisation in the city.

3.2.1. The first impulse and its effects on Santiago, late 1930s-1952

By 1935, Chile's manufacturing sector had recovered, due to a state policy of economic reactivation, based on the emission of supplementary circulating assets (Marfán, 1984: 89), fiscal underpinning of productive sectors, the almost total disappearance of imported assets and especially the cheap workforce available (Palma, 1984: 75-82). From then on it was clear that only the state had the capacity to manage capital and obtain external credit and necessary technology (Moulian, 1997: 83). By 1939, the

Popular Front[3] and its powerful Corporation for Productive Development (*Corporación de Fomento de la Producción*, CORFO) had monopolised almost all the productive sectors and macroeconomic policies, installing and financing new industrial infrastructure, also improving technical and entrepreneurial capacities (Ffrench-Davis, 2004) concentrated in the outskirts of the South and North of Santiago. The foreign private capital was keen to switch from the commercial sector into this recently vigorous industrial activity. Since Pedro Aguirre Cerda's Popular Front government, and for 35 years, seven Chilean governments would use several protectionist instruments in order to make the internal market grow, including price control on basic goods, subsidies, loans to diverse productive and service activities, and control of currency exchange rates (Frank, 1976; see also Appendix 3).

Contradicting traditional explanations about the Chilean ISI, Salazar and Pinto (1999a, c) argue that this process was more private-led than state led, because it relied to a larger extent on domestic industrial capacity established during previous proto-capitalist periods of slower development. Although ISI used the disruption of the international market, generated by the Great Depression and the Second World War, to restrict imports and create conditions for domestic production, the Chilean ISI may have had relatively more autonomy regarding international economic guidelines than many other Latin American countries, because of the political stability of the successive governments that sustained the period. These authors conclude that the Chilean process of ISI was, in many senses, a case of 'vernacular developmentalism' close to Fordism in the promotion of national industrialisation, and Keynesianism, in the increase of internal demand that kept the system working.

The dominant role of the state can be explained by the additional revenues collected through taxes on the mining sector, mainly copper, that remained as the only exporting activity as a consequence of World War II. The state channelled these funds through CORFO, which was in charge of the economic planning and financing of the industrialisation process. This agency favoured the expansion of textile, metal, ceramics, chemical and building material manufacturing industries and basic infrastructure such as coal, electricity, roads, etc. (Dickenson, 1996). From 1940 to the end of World War II,

[3] See definition in Appendix 1-Glossary.

the Chilean industrial sector grew at an annual rate of 6.1% (double the national rate of growth during the same period). Meanwhile, the share of manufacturing in GDP grew from 16.7% to 23.7% between 1940 and 1950 (Salazar and Pinto, 1999c). Santiago was where the largest domestic market, demand and state bureaucracy were already concentrated. This reinforced the flow of public investment and the concentration of most of the national manufacture in this city.

Figure 3.1. Industrial zones according to the 1960 Greater Santiago Master Plan (PRIS)

Source: own elaboration based on Ponce de León (1996)

Figure 3.1 shows the industrial zones defined by the 1960 Greater Santiago Master Plan (this plan will be analysed in sub-section 3.4.3), and how most of the different types of manufacturing enclaves, that had been developed during the previous decades, were mostly concentrated in what today is the Urban Renewal Subsidy Area (URSA). Large

scale heavy industry concentrated in San Joaquín-Macul, Cerrillos, Maipú and Renca *comunas* (yellow zones in the figure). Small scale light manufacture mixed with residential uses was concentrated in San Miguel, La Cisterna, Estación Central, Quinta Normal, Independencia, Recoleta *comunas* and intensively in the south-eastern quarter of Santiago-Centre (green zones in the figure). The map also shows where already existing industrial zones would not be allowed anymore from 1960 onwards (red zones in the figure). In a nutshell, the industry had been 'entrenched' in the peri-centre of a fast expanding city.

This agglomeration of manufacturing activities in today's peri-centre was also transforming the city's demographic structure. In the late 1930s, the growth of Santiago's population accelerated basically due to immigrations produced by the growing and nationally centralised urban economy. By 1935, the city had 750,000 inhabitants; in 1940, around 1.3 million; in 1952, around 1.8 million (De Ramón, 2000).

Since its first stage, the Chilean import-substitution industrialisation was supported by an invigorated state bureaucracy and infrastructural public investment, but also succeeded in reinforcing democracy by expanding electoral participation, strengthening social movements and state-citizens alliances. With the exception of the ban of the Communist Party by the government between 1948 and 1958, parties of the left generally gained power during ISI, peaking from 37% of the national votes in 1970, to 44% of the votes in the election for parliament held in early 1973, during the socialist Popular Unity three-year government (Meller, 2000). During ISI, the state also became more tolerant of the labour unions, political activity, and respected freedom of speech. Workers organisations abandoned momentarily the 'social revolution' as an immediate goal and it is not surprising that many people came to see the state as an anti-oligarchic actor, or even as the first step toward a working class revolution (Canihuante-Toro, 1999).

However, this developmentalist model would not be stable in the long run. The expanding Chilean ISI clashed with the post-Second World War international restrictions to the acquisition of foreign currency, machinery and intermediate goods. A mismatch between an already increased domestic purchasing power and a bottle neck in production was evident, increasingly generating more internal inflation. By the early

1950s, the local mode of regulation was reaching its limits and a period of 'hard' substitution industrialisation would start (Salazar and Pinto, 1999a).

3.2.2. The years of difficult industrialisation, 1952-1964

In 1952, the first national economic expansive cycle led by CORFO had lost momentum. The decade of 'easy' substitution industrialisation was over. From 1953 to 1957, average annual economic growth dropped to 0.7% (down from 3% during the previous decade). Therefore in 1952 and 1953 several expansionist policies and salary increases were applied, although an expansion of productive capacity took another two more years. But exports decreased and the populist national government of Ibáñez[4], against its own initial goals, had to severely reduce the monetary supply. Later, Alessandri's liberal government (1958-1964) underpinned the private internal productive capacity of manoeuvre by a series of fiscal incentives (Ffrench-Davis, 2004) but eliminating also the existing barriers to importing machinery and other capital goods, with the exception of oil, iron and steel. This tended to restore the country's historical levels of dependence on the global North, regarding manufactured commodities and technology (Salazar and Pinto, 1999c).

The Chilean system was increasingly reliant on an urban industrial workforce. But, as Ffrench-Davis argues (2004), protectionism led to a modernisation without real competition, technological innovation, entrepreneurial capacities or improved workforce productivity. The virtuous circle of the previous 'easy' stage became vicious when industrialisation started to be constrained within the very small scale of the Chilean internal market, promoting a monopolist and petitioning mentality among entrepreneurs. Working as a safety valve for recurrent externally-determined slumps, state policies increased domestic demand via raising salaries through state-subsidies to private capital. This reveals the particular convergence between the interests of the dominating and dominated classes in Chile during this phase, and their common reliance on the state.

[4] See Appendix 3 for a list of national presidents.

Instead of facing increases in costs of production with lower profits, or marginal revenues originated in improvements in productivity or management (as real modernisation), the Chilean industrial capitalists just increased assets' prices based on its historical class-kinship with the political elite that dominated a hypertrophied state apparatus, as well as with bankers and other financial capitalists (Zeitlin and Ratcliff, 1988).

As will be seen in sections 3.3 and 3.4, the fast industrial development experienced from the 1930s in Santiago was not paralleled by a consistent social housing policy. Whilst the industrialising period attracted a number of migrants to Santiago (in 1960, Santiago had grown to 2.5 million), this city's space was less prepared to provide basic shelter for them. At the time, many realised that Chile's was not a problem of over-urbanisation but – inversely – of sub-industrialisation (in the way defined by Quijano, 1967, 1968), an asymmetry between national productive capacity and a largely unmet social need for shelter and urban space (Chateau and Pozo, 1987).

3.2.3. Reformism and social-mobilisation, 1964-1973

Facing increasing social demands but incapable of resolving the growing contradictions of this mode of regulation, from the mid-1960s, the Chilean state would insist in following the same logic of high subsidisation of the productive sectors but applying now refined social regulations, as deep as the economic ones. The national developmental discourse gradually abandoned the liberal developmentalism of CORFO, adopting instead the ECLAC approach that advocated a sort of combination between Keynesianism and Marxist structuralism. According to Raposo *et al.* (2005), past industrial engineering was giving place to social engineering, and concepts such as 'sociology of development', 'strategic planning', 'urban planning', 'popular promotion' emerged. Four core strategies took place from 1964: agrarian reform, copper nationalisation, educational reform, and income redistributive policies, being half invented by the normative thinking of ECLAC, half an outcome of the emerging social demands which unrolled from the 1930s (see also Hopenhayn, 1995).

From 1964 to 1973, Frei's and Allende's governments converged in going against the increasingly liberal IMF recommendations, insisting more in subsidising the domestic demand and less in promoting a more specialised and technologically autonomous manufacture. Notwithstanding their radical differences, one common denominator of these two governments (one Christian Democratic and the other Marxist-inspired Socialist) was that they assumed that the more popular demands grew, the more internal industrial production and economic growth there would be. If it had been already presumed that high domestic production would absorb excess circulating purchasing power, thus stabilising the national economy, from the mid 1960s onwards, the improvement of living standards and levels of social consumption for the working-class would be seen as economic expansionist mechanisms, an apparent virtuous circle which would be *oiled* by a continuous supply of international currency. The basis of this was the budget surplus generated by the recently nationalised copper production. The state also played a role as the country's most important job supplier, using more than 50% of the national budget only for salaries of the ministries of Defence, Education and Finance (Collier and Sater, 2004).

The Chilean mode of regulation at this time can be summarised in: a) industrialists and workforce converging to put pressure on the state to increase profits via lowering taxation and subsidised wage increases, somehow ignoring the effects of inflation; b) the democratic political system playing a central role in the slow movement from an elitist to a mobilised democracy, as a factor of corporate integration of organised interests, and c) social sectors symbolically integrated to, or represented by, the state, breaking their historically exclusive dependence on capital (Moulian, 1997).

When Salvador Allende was elected president (1970-1973), and although 20% of population still lived below the poverty line in the country, Chile showed one of the less regressive income distributions in the region, with a middle class which was greatly developed though concentrated in urban areas. However, the US was boycotting and any external help had been already refused to Chile whilst, as usual, the technological dependence was a drain on the Chilean Way to Socialism led by the Popular Unity (Ffrench-Davis, 2004). As result, from 1972, in a relatively desperate effort to resolve the lack of domestic production (also generated by an internal boycott led by the conservative parties) the Chilean state attempted to nationalise the whole surplus

produced, including now the manufacturing sector and the already underdeveloped privately-owned agriculture through an intensified agrarian reform.

Yet this time the state did not seek to strategically support private industrialisation (like the Popular Front did in the 1930s and early 1940s), but to command the whole process of production, substituting the hitherto private entrepreneurial activity through a new Basic Plan, or regime of production, based on three branches: Private Area, Mixed Area and a state-owned Social Area. This structure sought to include 90% of the total corporate assets of the nation. By 1973, the state controlled 80% of the state industrial output and around 60% of the GDP (Collier and Sater, 2004). The root of the economic programme of the Chilean Way to Socialism was, however, essentially capitalist, highly reliant on the industrialised economies, especially the US, for the importation of technical means of industrial production, just as it had historically been (Salazar, 2003). Furthermore, the resources extracted from the copper mining were not infinite, thus this half-revolutionary project – aborted by military intervention in 1973 – was to a great extent unable to cope with its programme of social redistribution.

According to Moulian (1997), the popular movement never configured an alternative project of state construction, but remained disciplined and subordinated to continuous subsidisation. Neither was the Chilean Way to Socialism a project led by the working-class, but by leftwing political elites that made use of civil society as a proxy for changing the structures of development. Not really participative and much closer to a system of patronage of a class by another, the Popular Unity implied the state to lose power quota for resolving the historical Gordian knot of economic growth and better economic distribution. This point is important, because the hypertrophied state became more vulnerable to the volatility of the masses (e.g. land seizures that momentarily challenged the traditionally segregated urban structure of Santiago; see Brain *et al.*, 2007) and ultimately, to the military power that seized control in 1973. Nonetheless, as seen below, the urgent need for shelter experienced by the growing masses of homeless in Santiago had long-dated historical causes.

3.3. Peri-central deprivation: a class related problem

3.3.1. A long history of urban misery

In Santiago at the beginning of the 20th century, the living conditions in the spaces of the poor were pauperising: lack of hygiene, communicable diseases, high rates of alcoholism and other social problems (Romero, 2007). And probably one of the worst situations was in the city's western and southern fringes. The territory surrounding the already polluted *Zanjón de la Aguada* (see Figure 3.8, page 106) hosted the most populated, less valorised quarters because of their longer distance to the centre and their deficient water supply for agricultural uses (De Ramón, 1985, 2000).

From 1907 to 1960, more than 960,000 people migrated to Santiago, especially between 1930 and 1950. In 1940, in Santiago-Centre *comuna* alone there were 600,000 inhabitants, distributed in 3,065 ha. However, 47.6% of the *comuna* residential space was considered insalubrious, mostly made of multi-occupied dwellings abandoned by their previous occupiers (*conventillos*). An intense process of filtering was taking place in the previously bourgeois central city, and probably the worst problem was the rate of overcrowding, reaching 3.4 persons per room (Espinoza, 1988). In Santiago alone there were 4,000 *conventillos* that hosted from 300,000 to 350,000 people. Eighty percent of these cases were declared 'absolutely unhealthy' by the national Ministry of Health, but they hosted roughly 40% of the population of Santiago in that time (Alexander, 1949).

The 1940 census showed a national deficit of approximately 300,000 dwellings in a country of only five million inhabitants. The census also estimated that between 1938 and 1944, the annual average deficit in housing was 57%, whilst only 7,300 dwellings per year had been built. It was necessary to build 12,800 per year only to keep up with the pace of population growth. As consequence, illegal land seizures were at their highest level in the 1950s.

In Santiago in 1952, 75,000 people lived in shanty settlements (*callampas*) and another 60,000 in precarious, multi-occupied properties (*conventillos*). That year, the numbers of people living in precarious conditions represented 15.5% of the city's population. By

1959, 60% of the poor lived in *conventillos* whilst only 26.1% of *Santiaguinos* lived in adequate dwellings, and the number of people living in *callampas* represented 13.8% of the city's population. The homeless population in shanty areas was growing, as Table 3.1 illustrates[5].

Comuna (*)	Location	1952	1959	% variation
Quinta Normal	Periphery (currently peri-centre)	1,119	4,316	385.7
Las Condes	*Barrio Alto* (Centre-East zone)	1,296	3,926	302.9
Renca	Periphery (currently peri-centre)	591	1,820	308.0
Puente Alto	Sub-urban (currently periphery)	426	1,180	277.0
Santiago-Centre	Core	3,250	7,642	235.1
San Miguel	Peri-centre	4,001	8,203	205.0
Conchalí	Suburban (currently peri-centre)	1,600	2,683	167.7
Ñuñoa	*Barrio Alto*	2,169	2,405	110.9
La Florida	Sub-urban (currently periphery)	169	55	-307.3
La Cisterna	Suburban	1,106	87	-1271.3
Barrancas (Pudahuel)	Suburban (currently periphery)	323	-	-
Providencia	*Barrio Alto*	452	-	-
Total/Average		16,502	32,317	195.8
(*) See Figure 3.1, page 91, for location of these areas				

Table 3.1. Number of households living in *callampas* in 1952 and 1959[6]

Source: own elaboration based on Espinoza (1988: 247)

Furthermore, the *comunas* with more *callampas* were also those of more intense expansion. Yet, as seen in Table 3.1, the situation was much worse in today's inner city *comunas* such as Santiago-Centre, San Miguel, Renca and Quinta Normal, as the number of shanty enclaves in distant suburban *comunas* like La Florida and La Cisterna in fact decreased, probably due to migration to more central areas. And the situation would worsen more in the following years. A decade later, in 1968, there would be around 100,000 dwellings in *callampas*, which housed around 500,000 inhabitants, one fifth of the city's population (De Ramón, 2000).

[5] See Appendix 1 – Glossary for definition of these terms.

[6] See location of *comunas* in figures 3.1 and 3.2; see also Appendix 2.

3.3.2. Segregation, socio-spatial cleansing and the law

Since the 1880s, the poor had been hidden under the cosmetic spatiality of the central city, built by an affluent society, enriched by the emerging economy based on the exploitation of nitrates. In the 20th century, for the new middle- and upper class' modernising ways of life, the pauperised image of the poor had also to be banned from the city centre. The discriminating planning rationale, continuously established by ordinances since mayor Vicuña Mackena in the 19th century, considerably contributed to this (Espinoza, 1988; Rodríguez, 1995). Yet as the city expanded, land valorised in the fringes and their occupants were expelled, no matter how long the poor and excluded had lived there, even centuries. In fact, important public resources were invested in discouraging underclass agglomerations and socially 'improving' central or peripheral land.

The spaces of the poor splintered amidst the middle-income geographical areas of expansion, especially southward. These were sorts of urban-rural interface, marginalised from the rest of the city, out of its official administrative boundaries, in a sort of no-man's land (De Ramón, 1978). They had unpaved streets, with no water or sewage system. Dwellings were of poor quality, usually below street level, as the mud for their *adobe* walls was extracted from the same site, subject to frequent flooding during the winter (León-Echaíz, 1975).

More than ideological or purely symbolic class differentiation, the highly segregated city soon implied a material threat to the stability of the bourgeoisie and the modernising city (Jelin, 2004). The poor were neglected but were felt as too close a menace: poverty explosively appeared in cases of emergencies, especially epidemics. Every now and then, there was a massive presence of the working class in the centre of the Chilean cities, even though this presence was banned by the ruling elite (Romero, 2007). Also, although there were different motivations for marching and demonstrating discomfort and riots, a common demand was the miserable quality of accommodation, and the artificially elevated rent prices.

But the violent demonstrations of April 1957 in several cities of the country were different. Although they started as a reaction against the IMF-recommended policies of salary cuts and were militarily repressed, soon they contributed to create a context for more radical homeless mobilisation in Santiago. 1957 marks the beginning of a fifteen-

year period of land seizures by organised homeless known as *campamentos*, as will be illustrated in section 3.5. Repression against these movements was usually cruel though, since the military power defined these occasions as 'states of war' (Milos, 2007).

3.3.3. Legitimised land and property speculation

Since the late 19th century, the land-owning bourgeoisie had understood that the growing demand by migrants and the poor was quite profitable and could be easily supplied with minimum efforts (Espinoza, 1988). Properties were usually rented at considerably high prices but the renting system was not subject to laws until 1925, and before 1940 landlords had no obligations to provide services for tenants. At the beginning of the century, prices of a single rental room were 30% of the salary of a skilled urban worker and 60% of an unskilled one (Meller, 2000). However, in spite of their bad conditions and high rents, these minimal accommodations were rapidly occupied. At the beginning of the 20th century, the owner of a *conventillo* could double its initial capital in one single year (Romero, 2007). Or if landowners did not capitalise very high ground rents, at least they had a constant idle surplus assured by milking renters' budgets (De Ramón, 2000).

The biggest land owners were mainly oligarchic, kin of the Chilean ruling class. They increased their capitalised ground rents by the positive externalities generated by public infrastructure (i.e. new rail connections [7]) and urban extensions authorised by municipalities (Zeitlin and Ratcliff, 1988). They also obtained political gains as they appropriated the electoral cards of renters that could not afford to pay, thus creating political strongholds in many low-income districts (Romero, 2007). From the 19th century there were also legal vacuums that allowed land and property speculation at unprecedented levels. The Law of Autonomous *Comunas* passed in 1891 improved police and sanitary regulations in the recently created 195 municipalities in the country (Gurovich, 2000), also separating in several different administrations the peripheral space of Santiago. Nevertheless, in a context of generalised political corruption, local governments for the first time would have attributions over both urban and rural space.

[7] Santiago had an expanding internal and inter-urban railway system from 1857 (Martland, 2002). Industries and low-income population agglomerated along these axes.

It was not surprise then that from 1891 to 1925, vested interests from affluent landowners, or even pressures exerted by mayors – who usually were proprietors of vast land extensions – would promote land speculation. These politicians used the developments in infrastructure funded by the state for their own benefit, thus expanding radically the cities in only twenty years (Walter, 2005).

Renting *conventillos* was highly lucrative; it worked by exploiting the use-value of urban land and peripheral rural plots, transforming it into pure exchange-value. And most of the speculative practices developed were illegal, e.g. selling the same plot to different buyers through operations that came to be named 'ghost subdivisions' (Alvarez, 2007); fraud caused by the non-payment of land taxes by the seller, even if he/she demanded that money to the buyers; the selling of mortgaged land without the consent of the renter, and so on (Espinoza, 1988).

Until the 1940s, the housing sector would be dominated by the bad practices of the rental market. While urban speculation was being largely denounced by political leaders of the left[8], no government could go against the right to private property sanctioned by the National Constitutional Act, and firmly defended by the conservative sectors. Furthermore, whenever facing imminent attempts of state regulation, speculative landowners accelerated their activity. Probably the best example of this was the first comprehensive version of the National Law of Planning and Construction (LGUC) and its tight regulations on urban expansion. Since it was passed in 1931, but was only operative from 1936 (Gurovich, 2000), the five-years gap without legislation accelerated speculation, fragmentation of the peripheral land and development of the rural land with complicity of the affected municipalities (Alvarez, 2007). A second case of accelerated speculation was quite similar. Karl Brunner's Santiago Master-Plan was the first serious attempt to create comprehensive metropolitan spatial regulation, integrating physical, functional, cultural and aesthetic dimensions (Cáceres, 1996). However, again there was a gap between the draft master plan presented in 1934 and its approval in 1939 (Parrochia, 1996a). This second temporal mismatch accentuated sprawl precisely in the areas to be restricted by the plan. The monopolisation of land

[8] Luis Emilio Recabarren, founder of the Chilean Communist Party, claimed in the early 1920s that "given that Chile legally reduced the working hours to eight and also reduced to five the working days, why cannot we, in a similar way, restrict dwelling rents and property prices up to a certain level?" (quoted in Alegría, 2003).

rent and the class alliance between private and political interests could not be observed more neatly.

It can be confidently affirmed that if something started the production of the peri-central space in Santiago, it was a form of class struggle never seen before in the city: the conflict between a renting working class and a landowner bourgeoisie who monopolised the ground rent produced by the city. However, what the bourgeoisie was really doing through these speculative practices was to block the much needed social consumption of the modernising-industrialising society, and to stretch the housing crisis to its extremes. This forced the state to intervene, always within the capitalist logic, in order to produce a fairer distribution of the ground rent. It would be within these social-political boundaries that the Chilean state would develop its technical urban and housing apparatuses and capacities of spatial regulation, as seen in the next section.

3.4. Creating state regulation

By the 1950s, the housing deficit and chaotic urban sprawl threatened the stability of industrialising Santiago. Thus during this decade more decisive policies would come from three different public sectors. The first one, exclusively economic, would aim at expanding the building sector via indirect subsidies; the second one would configure a powerful state apparatus of social housing production, namely the Housing Corporation (*Corporación de Vivienda*, CORVI); the third one, conceived from the Ministry of Public Works, set up a planning system that sought to stabilise the urban and regional structure of the city. Yet these three policies proved limitedly successful at reducing the deficit and controlling the sprawl, and sometimes contradicted each others' goals. From 1967, two subsequent shorter-term policies would be safety valves for the increasing social pressure on housing allocation: a programme of 'site and services' and a programme of definitive reduction of the deficit based on high public expenditure. Despite these five policies being either deeply reconfigured or ended by the military Junta in 1973, they contributed to creating important material conditions for what most of the peri-central residential space is today.

3.4.1. Public subsidisation of the housing market

In 1959, the conservative government of Alessandri, firmly advised by the already powerful National Association of Building Firms (founded in 1951) expanded an existing subsidiary scheme with a key bill named *Decreto con Fuerza de Ley 2* (DFL2 hereafter; see Hidalgo, 2000), mobilising the entire state and private entrepreneurial capacity, within the framework of an economy the central objective of which sought to strengthen the Chilean bourgeoisie. Regulated by the guidelines of the National Law of Planning and Construction (LGUC), the DFL2 policy targeted 'low-income dwellings', which were defined as any unit built with less than 140 m^2 (Kusnetzoff, 1975).

Basically, the DFL2 law was an anti-recessionary measure. As a counter-cyclical rationale, it sought to redirect accumulated revenue into social welfare as a way to keep the pace of circulation of capital within its secondary circuit. The DFL2 law offered tax exemptions of up to twenty years to dwellings built with an area below 140 m^2. A system of savings and loan associations, created in 1960, helped to provide credit and stimulate construction for the emerging middle classes, and workers' pension funds were used as sources of low-interest, long term loans for the formally employed working class (Collins and Lear, 1995: 150). This resulted in the creation of the National Savings and Loan System, which favoured the production of dwellings for middle- and upper-income people, especially during the depressive economic cycle experienced in the early 1960s, propelling capitalists to invest in properties as a countermeasure against unemployment. Even luxury resorts could benefit by this legislation (Kusnetzoff, 1975).

However, although DFL2 considerably increased production to around 30,000 units per year – up from the 6,000 units per year produced between 1943 and 1958 (Rojas, 2001) – it proved inadequate for facing the needs of a majority which was not able to participate in this market (Kusnetzoff, 1990). Popular sectors benefited proportionately less than higher-income groups because the model was based on a collective regime of saving management. Whilst the policy was financed by a 5% tax on the profits of private companies and another 5% contribution of all workers' benefits coming from social security agencies, housing loans were allocated on the basis of the receivers' ability to repay mortgages. This implied that middle-income households were in a batter

position to gain access to the subsidised homes than low-income households. However, the latter's contributions to the social security funds paradoxically subsidised the middle-income strata[9] (Gilbert, 1993).

After a few years of DFL2 application, two elements became clear: first, that the subsidy to the housing sector was central for economic recovery in a time of crisis; second, that this form of expanding housing supply was incorrectly distributed. Hence, more direct, better targeted state action was needed for supplying shelter for the poor.

3.4.2. Gradual configuration of a state housing apparatus

3.4.2.1. The centralised scheme of CORVI, 1953-1975

With the precedent of the Popular Housing Fund created in 1936, Ibañez's government (1952-1958) created the Housing Corporation (CORVI) in 1953, in convergence with the agenda propelled by the National Association of Building Firms and the National Housing Plan launched the subsequent year by the Ministry of Public Works (Kusnetzoff, 1975). CORVI absorbed the existing housing institutions, acquiring several new responsibilities, such as a system of construction managed directly by the state, also incorporating new systems of mass prefabrication (Alvarez, 2007).

CORVI considerably boosted the construction of public housing, by receiving from 1959 onwards an increased budget through the system of public/private shared 5% contribution explained in sub-section 3.4.1. Between 1959 and 1964, CORVI was involved in the production of 58% of all new dwellings in Chile, one fifth of those in Santiago alone (Gilbert, 1993) – during the 1960s, public investment only in housing

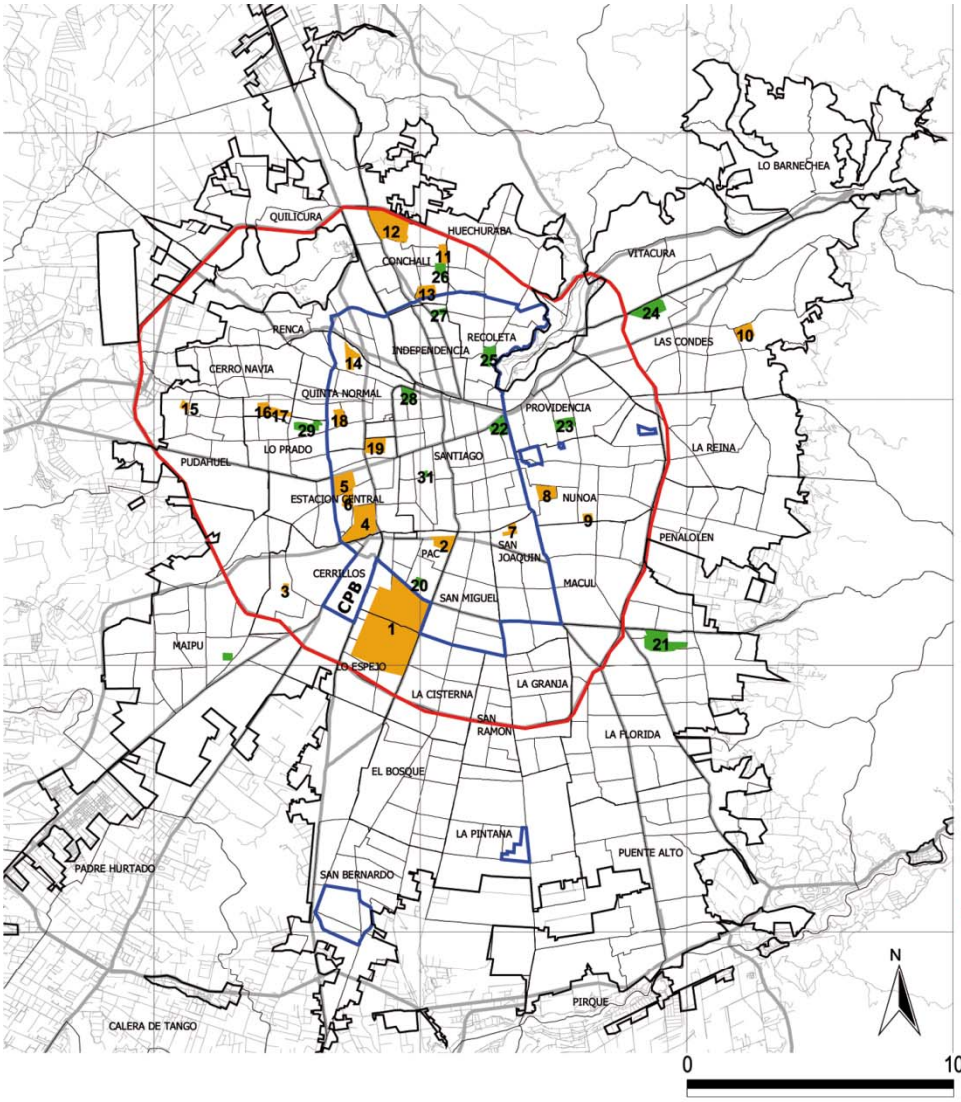
[9] The DFL2 law has remained in Chile for about 50 years and is strongly defended by the National Associations of Building Firms. Although in 1959 it sought to encourage the production of housing for middle and lower classes, the gradual reduction of the size of the average household (between 1960 and 2002, households decreased from 5.4 to 3.5 members; see INE, 1960; INE, 2008) has reduced concomitantly the size of the average dwellings and thus this subsidy has increasingly become a form of subsidisation of affluent construction. Currently, about 95% of the houses produced in Chile fall into the category of 'affordable dwellings', including private holiday houses in the coast and mountains (Astaburuaga, 2005).

and urban infrastructure was around 40% and 50% of the total of investment in the country (Pavez, 2006) – thus considerably developing several spaces, currently labelled as peri-central, as was seen in Figure 3.2.

CORVI's technical and political attributions were all-embracing, making possible that broad arrays of working-class households received public housing for the first time. However, these efforts proved incapable of supplying all the new dwellings required by the massively urbanising population (Rojas, 2001). The policy was not entirely well targeted and had regulatory inconsistencies. For instance, building standards were predefined by national regulation but prices of material and workforce were market-determined. This considerably increased construction costs but CORVI could not compromise those standards, hence the units' price increased. And again, the most affluent groups from the middle class were the most benefited, due to the distributional inconsistencies that came from the DFL2 bill and the existing high inflation during the 1950s and 1960s since CORVI barely charged interests on its loans. Consequently, the Popular Housing Fund soon became decapitalised (Gilbert, 1993).

Although CORVI had legal compulsory purchase powers, it could not fully apply them on the many dilapidated inner city areas. Many plots hosted multi-occupied decrepit properties (*conventillos*) that could not be easily evicted, because past experiences had taught that the number of potential evicted would be higher than those CORVI was able to relocate. A second problem related to expropriations was that, for the magnitude of the operations needed, sites to be purchased could not be smaller than 30 hectares, but given the higher land prices in the inner city, CORVI therefore turned to operate preferentially in the periphery (this is currently peri-centre though) near industrial areas (Pavez, 2006), considerably contributing to Santiago's sprawl.

One of the most important estates built by CORVI in the 1950s was *población* Miguel Dávila, to the south of current PAC *comuna*, covering 66 hectares with a total of 2,238 dwellings based on an array of detached houses combined with three-storey blocks, housing around 12,000 people. In the following decade, as part of a national plan for eviction, much larger scale *poblaciones* Lo Valledor Norte, San Gregorio and José



CORVI

1. Poblaciones José María Caro
   Lo Valledor
   Santa Adriana
   Miguel Dávila
   Villa Sur
2. Pdte. Balmaceda
3. Las Rejas
4. Los Nogales
5. Risopatrón
6. Pob. Alessandri
7. Navarrete
   Manuel de Salas
   Cicarrelli
8. Villa Olímpica
9. Zañartu
10. Colón Oriente
11. Eneas Gonel
12. Juanita Aguirre
13. La Palma
14. Lo Franco
15. Santa Laura
16. Barrancas
17. Neptuno
18. Simón Bolivar
19. U. V. Portales

CORMU

20. Pozos Areneros
21. Nuevo Amanecer
22. Remodelación San Borja
23. Inés de Suárez
24. San Luis (1 -2)
25. Remodelación El Salto
26. Santa Mónica
27. Plaza Chacabuco
28. Remodelación Mapocho-Bulnes
29. Parque Intercomunal Poniente
30. Cuatro Álamos
31. Remodelación República

Figure 3.2. Location of estates built by Housing Corporation (CORVI) and Corporation for Urban Improvement (CORMU), 1953-1973[10]

Source: own elaboration based on Hidalgo (2005)

María Caro were initiated, the latter in a vast territory currently shared by PAC and Lo Espejo *comunas*, in the middle of the peri-centre, as figures 3.2 and 3.3 show (Hidalgo, 2005).

[10] For definition of CORMU, see sub-section 3.4.4.

Figure 3.3. *Poblaciones* in PAC comuna

Source: photography taken by the author

3.4.2.2. The birth of the Ministry of Housing and Planning (MINVU)

Frei's government (1964-1970) modernised the institutional apparatus, creating in 1965 the Ministry of Housing and Planning (*Ministerio de Vivienda y Urbanismo*, MINVU),

a new body that would centralise twenty four public agencies responsible for an ample gamut of issues related to the production and distribution of housing services, dependent up to then on eight different Ministries. From then on MINVU's potential clientele would be two thirds of the Chilean households whilst the ministry would be the most important client for the private construction sector (Frankenhoff, 1973).

MINVU absorbed the Housing Corporation (CORVI) as one of its four semi-autonomous agencies, also aiming to comprehensively articulate the urban development policies that had hitherto run in parallel to housing. This ministry's goals were basically two: first, to reduce the national housing shortage estimated at 420,000 dwellings in 1965, for an estimated national population of 8.7 million (INE-CEPAL, 2005); second, to articulate housing production with the policies of income redistribution and popular participation that characterised the Christian Democratic government of between 1964 and 1970 (Kusnetzoff, 1987). However, MINVU assumed that without an alliance with the private sector it would be unable to reduce the housing shortage. This was because, as the private sector of constructors and developers claimed, it had been traditionally difficult for them to acquire land, so the state had the mission to correct that deficiency (Raposo and Valencia, 2004). From this point on, it was clear that the Chilean approach to social housing would be, as it had usually been, an attempt to stimulate the private construction industry through a flow of resources supplemented by the saving efforts of low-income households and collected through the Popular Savings Plan, but that would be administered and finally accumulated by a small and close group of firms (Kusnetzoff, 1975). The intervention of the National Association of Building Firms in this configuration was so evident that the first MINVU minister was an important member of the private federation.

Frei's government confidently self-imposed a goal of producing 360,000 dwellings during its six-year administrative period, of which 60% would be destined to low-income sectors. The Popular Saving Plan captured savings from middle- and upper-middle income households and redirected them into mortgage-backed loans for home purchase. However, while the indexation of loans and payments helped the system to operate in the inflationary environment, this public-private system was incapable of filling the rapidly growing housing needs estimated at over 40,000 units per year (Rojas, 2001), 45% of which should be built by the private sector (Castells, 1974; Kusnetzoff,

1987). Building was too slow and most poor households were unable to pay even for the smallest dwellings, e.g. in 1966, 45% lived within the range of 0.4 to 1.5 *sueldos vitales*, or minimum monthly salaries[11] (Kusnetzoff, 1975). On the other hand, the revenues demanded by the private building sector (over-relying on state incentives, as any other private productive sector; see section 3.2) were high, due to its productive inefficiency, its general reliance on non-qualified workforce and its historical class speculative tendencies. Here lies the core breach of Frei's housing programme: the attempt to improve housing distribution without altering the bases of the productive structure. In consequence, the country produced only 240,000 units during this six-year presidential period (see Figure 3.5). Therefore, a complementary policy had to be adopted in order to cope with the growing housing shortage: *Operación Sitio*.

*3.4.2.3. Operation Site (*Operación Sitio*), 1966-1970*

By 1967, Frei's housing plan had to be dramatically reconfigured. Assisted by the US-funded Alliance for Progress, the *Operación Sitio* programme provided 'site and services' while the occupants had to work in groups to build their own homes, and the serviced plots of 160 m^2 could be paid in instalments. Although the government had to replace the word 'dwelling' by the neologism 'housing solution', this programme created high expectations. About 63,000 households applied nationally during the first week, and near 75,000 solutions were allocated in Santiago alone under the total programme until 1970 (Gilbert, 1993). Even though initially small 30 m^2 built units were delivered with the plots, soon MINVU could only afford serviced land plots (with electrical and water supply through standpipes, but not drainage) and later the ministry delivered only demarcated plots. As shown in Figure 3.4, the location of these programmes followed a relatively 'peripheral' pattern, yet also with some important interventions in inner city *comunas* such as today's Lo Espejo, San Ramón, Lo Prado, Independencia and Recoleta.

[11] According to Garcés (2002), one *sueldo vital* in 1966 was roughly equivalent to 90 US$ dollars of 1998. See Appendix 1 – Glossary for further definition.

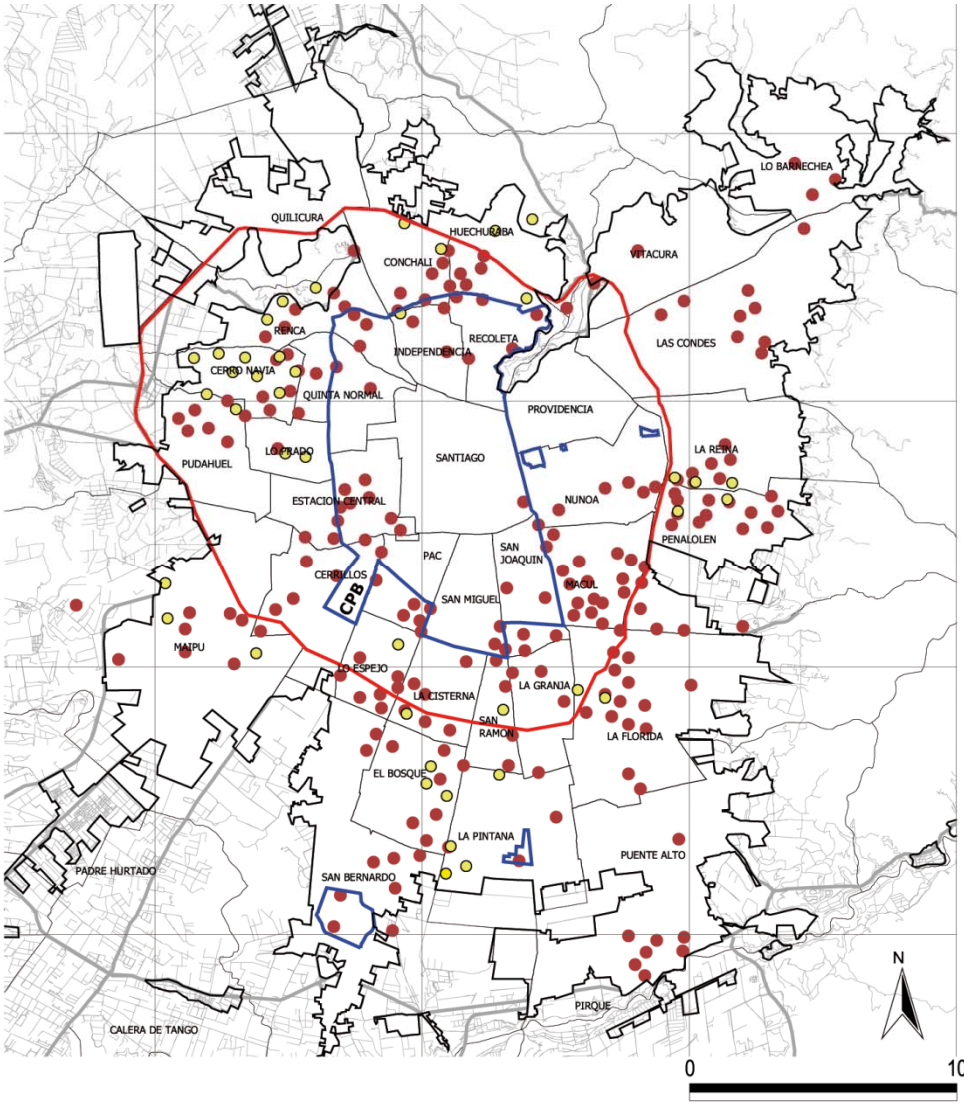


Figure 3.4. Location of *Operación Sitio* projects and *campamentos* in Santiago in 1979

Source: own elaboration based on Hidalgo (2005)

Deep social and ecological effects were produced by this plan. Factors such as excessive transportation times and costs, inadequacy of services, high socio-spatial segregation, labour costs implied in the self-help construction, and the deferment of present costs to the future through the Popular Saving Plan deferred mortgage payments, made *Operación Sitio* programme highly unsustainable (Kusnetzoff, 1975). Additional legal problems related to land expropriation and serious budget restrictions of MINVU, imposed by the national economic policy, limited the acquisition of possible sites. And the historical speculative tradition of the landowning bourgeoisie, which had been relatively 'sleeping' during the early 1960s, woke up again. In peripheral, inexpensive rural land, hitherto prohibited for development by the Greater Santiago Master Plan (PRIS), landowners allowed illegal land seizures as a way to push MINVU to negotiate with them but at increased 'urban' land prices. All these elements created unrest amidst

households which had already applied to the programme but were waiting too long to be allocated (Espinoza, 1988).

3.4.2.4. Housing as a right: the Chilean Way to Socialism

By 1970, socialist Allende rejected the previous self-help housing scheme, based on the widespread unpopularity of *Operación Sitio* in its latest years. In turn, this government's ambitious Emergency Housing Plan rested upon two basic ideas: first, a free-market housing system cannot meet Chilean people's needs; second, housing is a right for the people. In consequence, the Popular Unity housing programme sought four main objectives: a) to generate high levels of employment via enlarging the construction sector, b) to fully utilise the installed capacity and state apparatus already produced, c) to boost construction-related industries, and d) to satisfy the working class hence widen the government's political support (Kusnetzoff, 1975). By the end of 1971, the Popular Unity produced statistical evidence of the almost complete fulfilment of its quantitative goals, with more than 73,000 dwellings 'initiated' by the public sector, a production volume that doubles Frei's highest one (Chateau and Pozo, 1987), being also the highest figure produced by the public sector in Chile up to then.

This period put the government housing apparatus and its financial capacity to the test. The lack of resources prevented this policy from making a significant change to the bleak situation of popular housing, and, even though the number of housing units started reached a historic record, actual delivery of finished dwellings (an average of just over 9,000 per year) was much lower. Many projects remained incomplete for lack of building materials or financing, and were completed only years later by the dictatorship (Rojas, 2001), due to the extreme economic tension generated by a fierce opposition and its control over building firms and building-related industries.

By 1972 and 1973, the Popular Unity government did not show the same capacity for dealing with budgetary and logistical issues, neither with the political confrontation that propelled the building sector, more specifically, the National Association of Building Firms, to conspire against the goals of housing production. Therefore, the number of dwellings initiated was reduced to 35,000 each year (Kusnetzoff, 1987).

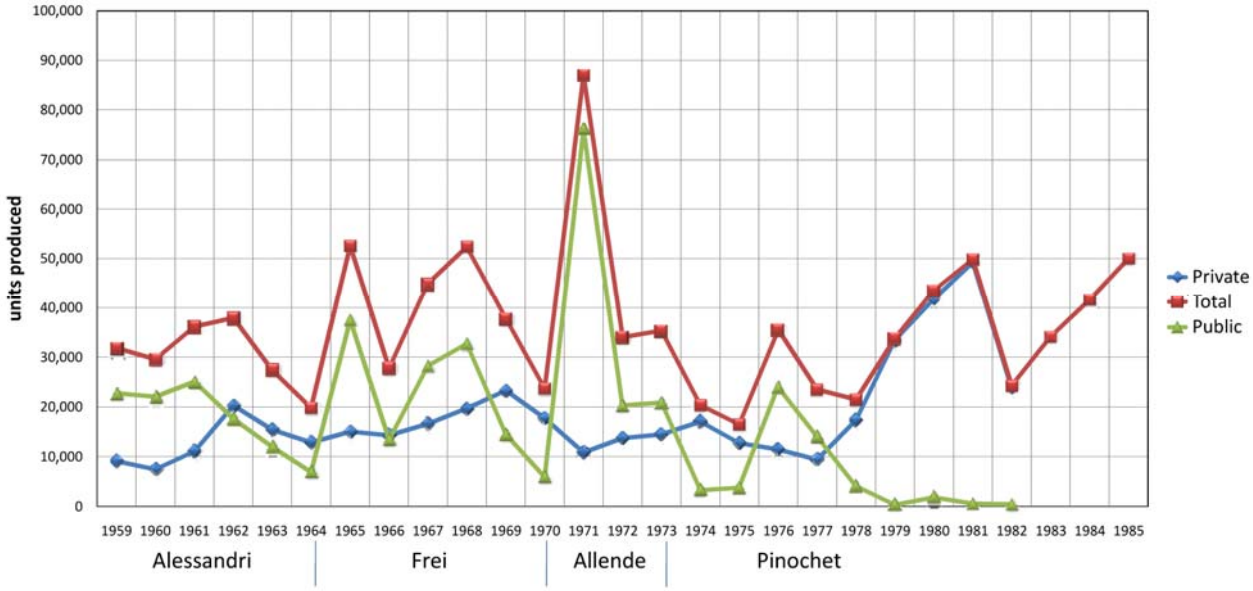


Figure 3.5. State- and Privately-built dwellings initiated per year in Chile, 1959-1985

Source: Kusnetzoff (1990: 58)

In late 1972, the government had no other option but to provide 'site and services' and squatter-upgrading programmes. Thus in these final two years of democracy, numbers of still homeless people realised that the solution was not within the administrative boundaries of the state anymore, but by enlarging the number of *campamentos* in the city. Miguel Lawner, chair of the Corporation for Urban Improvement (CORMU) during the Popular Unity government, recalls the material contradictions experienced by this government's housing apparatus, and how this contradiction was increasingly driving to a socially self-help built urban space.

> [T]he people, who are not fools, learned quickly that the best way to get priority for a house was to go and seize a plot, even if they had no need. In 1972, despite the efforts we made, the demand had doubled. Then we had a long session of two or three days and designed a programme which was called 'New Lines of Action', much influenced by a meeting we had with leaders of La Victoria *población*[12], the Housing Commission of the Communist Party and me. The *pobladores*[13] told us: "look, our own children went to participate in the seizure of Lo Valledor and they have already a house; but we fools, we are here since 1957 and we have never accomplished anything without hard struggling.

[12] CHAPTER 6 considerably focuses on this *población*.

[13] *Pobladores* are the inhabitants of a *población* or *campamento.*

> Our houses have never had official support; we have only achieved by ourselves having water, light, a little bit of street surface… then why there are no Lines of Action for us, to support the upgrading of our miserable *callampas?*" (Interviewed on 22 May 2007)

3.4.3. The 1960 Greater Santiago Master Plan (PRIS)

However, since twelve years earlier, the 1960 Greater Santiago Master Plan (PRIS) was being an unprecedented, technically complex attempt of state control over the territorial growth of Santiago. For the first time a centralised planning system sought to control urban sprawl (to be absorbed through planned multinuclear satellite agglomerations), the construction of new roads, the development of manufacturing agglomerations, supply networks and sewage systems (Ponce de León, 1996).

Firmly rooted in a technocratic, a-politicised regional planning discipline (Parrochia, 1996c), the Plan defined three ways of urban growth for Santiago: by central and peri-central rehabilitation and renewal, by extension and filling unused peripheral areas, and by satellite agglomeration. Clearly, the main goal of PRIS was to keep Santiago's expansion inside a well delimited inner urban area of 27,000 hectares within the *Américo Vespucio* beltway (see figure 3.6). The activities and densities to be deployed inside were predefined by a inter-*comuna* by-law and several specific local master plans. This inner area had an allowed maximum density of 144 people per hectare (to be potentially increased up to 220 through projects of urban densification). Surrounding the urban area, a suburban buffer of an additional 17,000 hectares sought to include farm plots and semi-rural residential uses, with a minimum plot size of 5,000 m^2 and maximum allowed density of 10 people per hectare. A further rural area was destined to agricultural use, with minimum plot size of 15 hectares. All in all, the projected capacity of Santiago metropolis was close to 5 million[14] (Fernández, 1991; Parrochia, 1996b).

The innovations and complexity implied in this plan were unprecedented in Chile. According to Pavez (2006), the Plan was based on independent inter-*comuna* urban areas, everyone responding to geographical identity, separated by a hierarchical system of several types of open spaces. The hitherto deficient existing radial road structure was

[14] 500,000 less than Santiago's population in 2002.

upgraded into a radial-concentric network, covering the regional and inter-*comuna* spaces (see Figure 3.5), namely: i) Greater Santiago Access Ways; ii) three concentric beltways: external (*Américo Vespucio*), intermediate (*Dorsal*) and inner (*Anillo Intermedio*; see Figure 3.6); iii) Complementary Radial Ways: between 30 and 60 metres wide; iv) Park Ways: between 60 and 100 metres wide, generally connecting two or more parks; v) Tourist Ways. A new *Norte-Sur* Motorway cut Santiago-Centre, seeking to facilitate the access of trucks to the city (this way is the current eastern perimeter of PAC), and an east-west road would connect the *comunas* along Mapocho river, namely the current *Costanera-Norte* Motorway. The plan also aimed at encouraging pedestrian displacement in Santiago's CBD (see also Parrochia, 1996b).

The planned, today consolidated, three concentric rings shaped the current peri-central area of the city. However, secondary *comuna* functional agglomerations were also planned, six of which were attached to *Américo Vespucio* metropolitan beltway. These sub-centres were connected to consolidated suburban local areas.

Industrial zoning was integrated into the city structure, avoiding air pollution generated by the topographic characteristics of Santiago's basin, and setting industrial clusters alongside the main access roads to the metropolis, triggering the creation of industrial corridors in the peri-centre (see Figure 3.1). From 1951 to 1958, 40% of industries had been chaotically located in the periphery. The PRIS attempted to reorganise these, also planning to bring half of the national industries to be located in Santiago, 50% of which would be in the central and peri-central areas. The plan also classified the industrial activity in: i) Dangerous Industrial Zones: to be located in the rural area under permission of the respective organisation, with 300 metres surrounding buffers; ii) Inter-*comuna* Industrial Zones: exclusively for manufacturing uses with 1,500 m^2 minimum plots; iii) Heavy Industrial Mixed Zone: mainly to resolve already agglomerated industrial concentrations, allowed to be within residential areas, but functioning restricted between 7 AM and 7 PM; and iv) Non-nuisance Industrial Mixed Zone: allowing up to 40% of the *comuna* space to micro-zones of inoffensive activities to be zoned by local master plans. Figure 3.1 showed how the latter two categories were zoned mainly in the peri-centre.

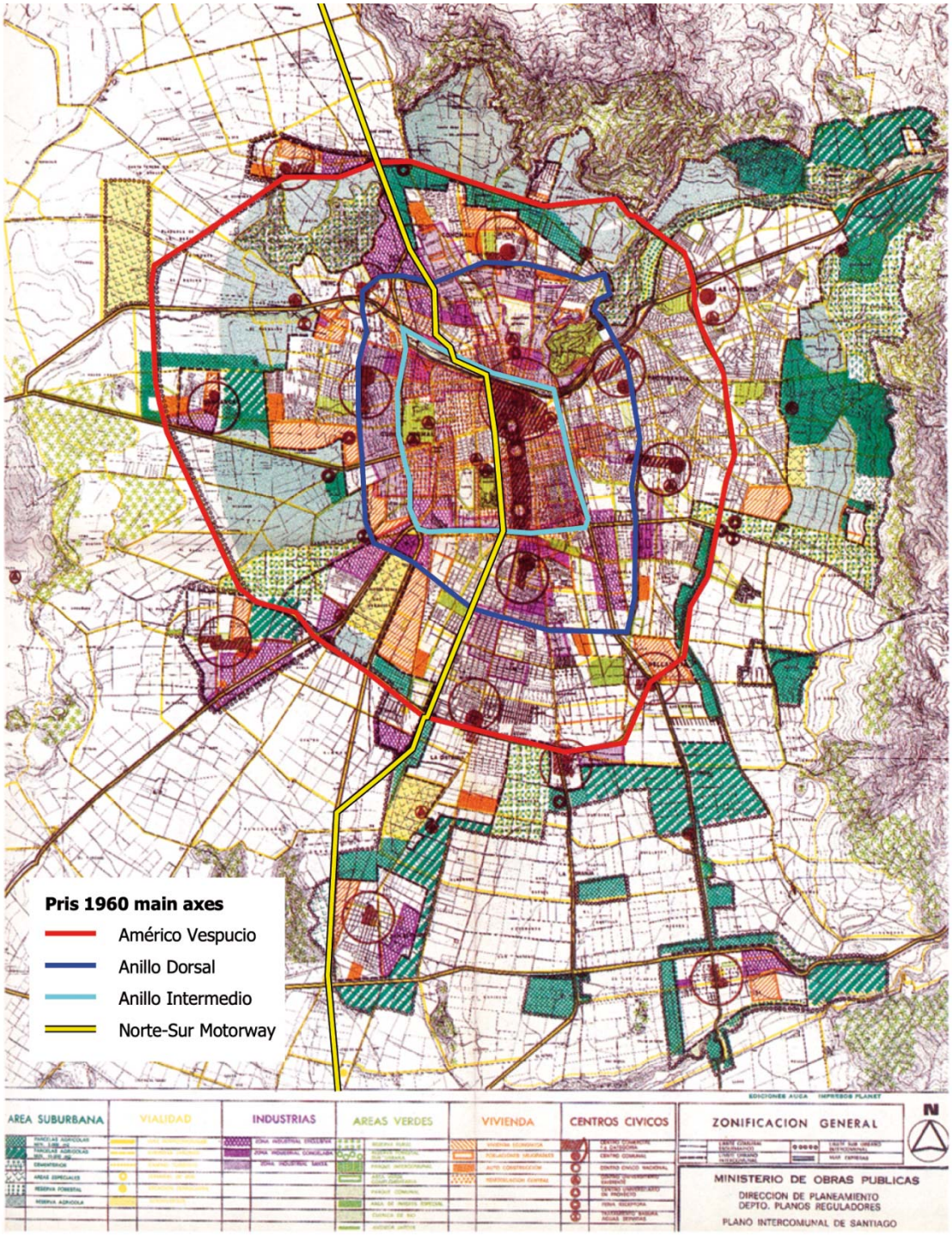


Figure 3.6. 1960 Greater Santiago Master Plan (PRIS)

Source: Ponce De León (1996)

As this plan aimed to limit urban sprawl by inducing pre-defined sectors to sprout, the inner city was zoned with specific industrial and residential functions and higher residential densities through a central 'remodelling zone' seeking to renew derelict areas.

The plan did not establish legal definitions about housing, but it regulated standards of land subdivision and of suburban residential space. The PRIS also defined heights for the state social housing and self-help buildings (Ponce de León, 1996). Its goals for inner city densification proved largely successful in the early 1970s, when the metropolitan gross urban density started to increase from 90 up to 100 people per hectare, due to CORMU's action (Fernández, 1991).

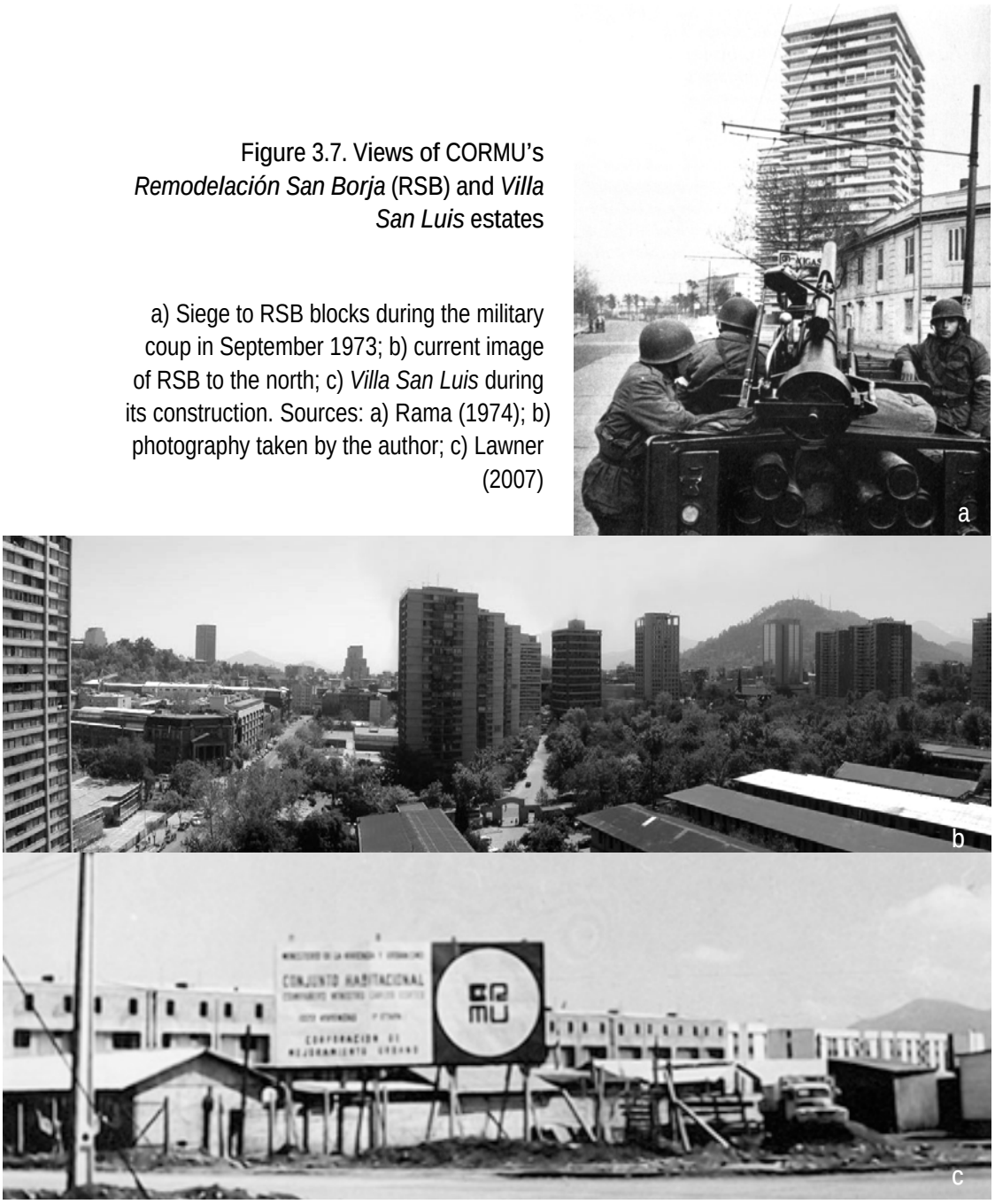
3.4.4. Peri-centre on the agenda: the Corporation for Urban Improvement (CORMU), 1965-1975

In a highly regulated context by PRIS, CORMU came to be a key relational entity between policies of urban development and housing, service and infrastructure provision in the inner city. CORMU sought to coordinate public and private investment in the central and peri-central area, aiming at triggering positive incremental impacts through projects allocated in strategic areas (see Figure 3.2, page 106). Its main goal was to re-create urban structure through the production of urban public spaces, integrated road networks, brand new neighbourhoods characterised by socio-economic integration, in accordance with local master plans. Yet CORMU's budget was limited. By 1968, it represented 5.6% of the total national expenditure in housing and public works, compared with CORVI's 42.3% (Raposo and Valencia, 2004).

Initially, CORMU targeted middle- and upper-income groups. What epitomises this initial approach was *Remodelación San Borja* (RSB) project, located on the border of the metropolitan core, developed between 1969 and 1973. RSB's main objective was to renew deteriorated quarters and to promote increasing densification in the central area through medium- and high-storey blocks. The project was located in an area of 13,5 hectares, comprising 28 towers of 20 and 22 floors, with a size of residential units of 70 m^2, plus additional lower blocks, for a total of 14,416 inhabitants. Its projected density was 1,100 inhabitants per ha. RSB was aimed at middle-income residents (Gámez, 2006).

Figure 3.7. Views of CORMU's *Remodelación San Borja* (RSB) and *Villa San Luis* estates

a) Siege to RSB blocks during the military coup in September 1973; b) current image of RSB to the north; c) *Villa San Luis* during its construction. Sources: a) Rama (1974); b) photography taken by the author; c) Lawner (2007)



However, from 1970 onwards, the Popular Unity's Emergency Housing Plan transformed CORMU's purpose. From being an operator of derelict inner city urban renewal, it turned into a much more comprehensive state agency of socio-spatial segregation reduction. Thus it was not surprising that CORMU would become from 1971 to 1973 an ideological centre for massive projects of socially-based inner city reconfiguration (Raposo and Valencia, 2004). By 1972, nearly 7,000 dwellings were built in clearly peri-central locations, close to the evicted *capamentos* as a way to preserve the original location of the beneficiaries (Hidalgo, 2005).

The project *Villa San Luis* in the affluent Las Condes *comuna* is an example of this second phase. Initially conceived as a large urban project for 50,000 middle-income inhabitants, it was downgraded in 1970 to be a estate of 1,038 flats, grouped in several four- and five-storey blocks. It was built between 1971 and 1972, and sought to evict/relocate *pobladores* of the area[15] (Lawner, 2007).

CORMU also developed a plan with short, medium and long term stages for providing amenities in the worse-serviced inner city areas, such as parks, open spaces, popular resorts, recreational centres, some of which would to be developed for tourism. The agency also purchased land for creating a reserve for the future construction of national, metropolitan and urban parks, maintaining nurseries to supply parks in the future. Studies and projects towards the conservation and restoration of "historic, national and typical" places and buildings were also developed (Gámez, 2006: 13-5).

Nonetheless, CORMU had limited resources and large scale urban land expropriation was not really feasible because the National Constitution protected private property. Therefore the allocation of CORMU projects was rather based on the random acquisition of available peri-central interstitial plots.

CORMU was officially closed in 1976, but its role as urban/social reformer of the inner city came to an end earlier, as soon as the military Junta took office in 1973. However, CORMU's *oeuvre*, more than purely built environment, gave shape and epitomised an ideological project of socio-political transformation, deeply rooted in hypotheses of modernisation and de-marginalisation embedded with architectural modernism. Through CORMU, a close relation between architecture, urban design and politics was seen as key mechanism for social emancipation. CORMU proved that, despite the economic and social limitations of the early 1970s, state-led peri-central regeneration was feasible.

3.4.5. Regulatory limitations of the state-based model

Until 1973, Chile improved its housing and planning apparatus, which nevertheless showed crucial limitations to meet the growing social demand for shelter. The 1960

[15] Who later would be violently evicted by the Dictatorship in 1979 (see subsection 3.7.4 below)

Greater Santiago Master Plan proved not very effective in controlling urban sprawl and protecting the peri-urban agricultural land, which were regularly violated either by *campamentos,* landowner speculation or state-led social housing allocation. The Ministry of Housing and Planning (MINVU) was the factor that most contributed to urban sprawl from 1965 onwards, occupying land reserved for open spaces previously acquired by the Ministry of Public Works before 1964 (Petermann, 2006). The PRIS was meant to be operated by a centralised metropolitan government but in fact this had not existed ever since (Ward, 1996). Moreover, in 1963, a reform ended the obligatory dependence of inter-*comuna* plans on the macro- and micro-regional schemes defined by the PRIS, destabilising even more the metropolitan planning system (Gurovich, 2000).

The constant state subsidisation of the private housing building sector and its scale-economies and submarkets sought to reactivate the internal economy by using a large part of the national budget, but most of the highly promoted 'social' subsidies (or tax exemptions) ended in the hands of middle- and upper-income sectors. An example of this is the poorly targeted DFL2 policy which is still in force at the time of writing. In general, the state lacked a continuous flow of resources to implement its housing plans, so that programmes suffered discontinuities in the acquisition of land, designs, and meeting minimum standards. The state did not break the constraints imposed by the market, so land and construction costs continued to increase. Nevertheless, it is important to note that from 1964 to 1973, 400,000 dwellings were produced (100,000 units more than what was built by the dictatorship between 1974 and 1983), 62.5% of which were built by the public sector, plus thousands of additional serviced sites. Most of these accomplishments are still of good quality, located in what today is peri-centre, as figures 3.2 and 3.4 show.

But all in all, the more the state supplied completed dwellings or serviced land, the more a social, desperate demand grew and threatened the political and spatial stability of the city. From this mismatch, the urban social movements of Santiago would emerge and decisively transform the structure of the city, as examined next.

3.5. Social production of the peri-centre: *campamentos* and *poblaciones*, 1957-1973

By 1967, it was clear that if the limitations of *Operación Sitio* programme continued, this would be a decisive factor in the electoral triumph of the Popular Unity in the forthcoming national elections of 1970 (Kusnetzoff, 1975). Thus, after initial attempts at repressing *campamentos* (Castells, 1974), Christian Democratic Frei's government in 1969, as an electoral machine, broke its own previous restrictions and rapidly permitted the development of peripheral land (Alvarez, 2007). Within a year, massive, strongly organised squatter movements would be unleashed. As the electoral year drew near, the population living in Santiago's *campamentos* grew to 300,000. According to Castells (1974), four additional factors were at the basis of this form of land occupation: a) an important fraction of the proletariat immersed in crisis, little satisfied in terms of services and suffering from their marginal allocation; b) unemployment, anomie and lack of participation in the economic system; c) increasing levels of agency of local communities through Neighbourhood Committees[16], Housewives Committees, and other organisations; and d) competition among centre and left political parties for engaging with the *pobladores* movement.

But the *pobladores* movement was far from being solely a social reaction to the state supplying incapacity. Instead, it was a mobilised "nuclei of a vast territorial network of territorially based organisations" (Castells, 1974: 243) that sought to pressure the central government and parliament for the fulfilment of their housing needs. They also threatened the bourgeoisie that could see the masses of the poor much closer than ever, breaking the historical spatial polarisation of the city discussed earlier. Although at the beginning they were officially banned, waves of land seizures and *campamentos* were a safety valve for the incapacity of the state to supply enough shelter, being gradually allowed by the state apparatuses until the coup d'état in 1973. However, the phenomenon was in fact a gradual construction of an identity which was not only an axis for the self-help residential construction of the working class, but also spread all over the popular space, beyond the boundaries of the *campamentos*, and gave meaning

[16] According to Klaarhamer (1989) and Vanderschueren (1973), Neighbourhood Committees were a form of order imposition from the state to the apparently chaotic social configuration of the urban movements.

to the historical process of urban emancipation that has crystallised in the peri-centre up to the present. The material and cultural conditions of this spatial production are outlined next.

3.5.1. Birth and development of a working-class space

The roots of the *campamentos* as marginalised working-class environments are historical, but their high levels of organisation come from a rather successful social institution created in the early 1950s, namely the Homeless Committees, integrated by residents of *callampas*, *conventillos*, and other marginal locations. These institutions demanded the provision of 'site and services', loans and technical assistance for self-help construction, always operating within legal-institutional frameworks. However, due to the lack of official response, sporadic land seizures started in 1953 (Espinoza, 1988), and within ten years, there would be 32 *campamentos* in Santiago, housing 13,765 households, 10,994 of which were concentrated in the southern San Miguel and La Cisterna peri-central *comunas* alone. Land seizures stopped in 1964 due to the high expectative generated by Frei's 'Revolution in Freedom' but restarted in 1967 after the failure of its housing plan and were repressed by the government for about two years. Probably the best known early case in Santiago is *población* La Victoria (founded in 1957), due to its high levels of organisation, stability and consolidation (De Ramón, 2000).

From 1969 to 1973, when the risk of police repression was practically inexistent, the number of successful land invasions in Santiago increased from six between 1964 and 1966, to 35 in 1969, to 103 in 1970 (Klaarhamer, 1989), with some governmental support in several of them. In 1971 another 172 appeared. Between 1967 and 1972, around 54,710 households had access to urban land through this means, 10% of Santiago's total population. In 1972, MINVU censed 275 *campamentos* completely surrounding the city, where 456,500 people lived, occupying a total of 2,700 hectares, barely 10% of the metropolitan area, with an average density of 170 people per hectare. By 1973, the number increased; there were around 500,000 people living in *campamentos* (De Ramón, 2000). During this period *pobladores* started invading the best service areas of the city in the eastern *Barrio Alto* (this was seen in Figure 3.4),

looking for the advantages of a level of social integration never seen in the past (Brain *et al.*, 2007).

Their levels of mobilisation and effective organisation were largely based on the power of a complex and organised working class in the country, which by the 1960s and due to the highly subsidised industrial development in the main cities, was similar in terms of the social power exerted on the whole society, to that of the French, Italian and Japanese working classes a decade earlier (Zeitlin and Ratcliff, 1988). This contradicted the widespread assumptions of the Theory of Marginality (Quijano, 1967, 1968)[17]: the Chilean *pobladores* movement did not host economic 'informality' but hosted many of the 'formal' workers that were the basis of the capitalist relations of urban production and national accumulation (Castells, 1974, 1985a, 1997)[18]. At the time, the evidence showed that: first, most rural migrants came to Santiago as *allegados*[19] but not inhabiting *campamentos* (as erroneously established by the abovementioned theory); *pobladores* were instead highly adapted to the urban life. Second, insofar as the national economic capacity was unable to cope with the growing demand for shelter and the housing deficit was also affecting non proletarian social groups, more and more middle-income strata become part of these demanding social groups. The *pobladores* movement was thence socio-economically heterogeneous. Third, *campamentos* housed a higher proportion of workers in formal heavy industry and construction and even petty bourgeoisie, than the average for Greater Santiago (Castells, 1974), hence their contribution to the process of capitalist accumulation was higher than supposed (Kay, 1991).

How did these masses build their space in the city? This form of social mobilisation was fundamentally urban and much less industrial. If labour unions were not preponderant in

[17] According to Vanderschueren (1973: 264), Theory of Marginality was an attempt of cultural domination by the ruling class over the grassroots, as an "intention to remove the basic foundation of Marxism theory" from the working-class world, and replace it by a less politicised notion of social inclusion and integration. See more about Marginality Theory in Appendix 1-Glossary.

[18] J. Perlman arrived at similar conclusion after analysing Rio de Janeiro's *favelas* in the 1960s. Recently, these residential spaces have become more socially heterogeneous but still highly stigmatised (Perlman, 2004, 2006).

[19] *Allegado* is a person or household who inhabits in someone else's house or backyard patio, usually kin to the homeowner, as temporary solution for their lack of dwelling. See Appendix 1-Glossary for more definition.

their world, tertiary and informal workers, neighbourhood organisations, professionals, women indeed were. And, maybe most importantly, the scenario for this conflict was the residential space, the streets and avenues, the parks of Santiago surrounding the core.

3.5.2. Development of a popular identity

However, what makes the *pobladores* movement unique is their triangular relation with state power and territory. As the movement acquired unprecedented political legitimacy and proved effective means of access to land, dwellings and services for the masses, it marked the transition from classic class-related issues of work and unionisation to emerging issues of urban space and everyday life. The later was a broader category with more diffuse boundaries than the former, but nevertheless more inclusive upwards and downwards in the social scale (Romero, 1987). But

> we can by no means speak of a 'movement' of *pobladores*, unified around a programme and an organization; it was not, for instance, like the labour movement, which in Chile was unified and organized in the [National Workers Union], in spite of political divisions within the working class. (Castells, 1985a: 201)

The movement was instead a collection of singular phenomena. Each *campamento* was organised upon the political leadership that promoted and founded it. Unity among *pobladores* and around a central movement was inexistent, except at the moment of national political crisis from 1972 to September 1973, when they became a political resource for neutralising the opposition to the socialist government as it attempted to asphyxiate the national economy. Instead of being instruments for people's unity, *pobladores* became amplifiers of political fragmentation (Jones, 1994).

In fact, it was possible to observe then a number of polarised motivations and communal agendas that come from the macro-structural affiliation to political parties, to the very pragmatic diversity in the occupational structure of the *poblaciones* and the different individual preferences regarding everyday life. The identity of the popular sectors was much more defined as a complex, changing and conflicting phenomenon. Yet it had a common denominator: a strong unified idea, an operative class-identity of 'homeless' that gave coherence to their demands, and that had been built from the early 20th century.

So the popular identity rested on three elements: first, the ideological construction of the *poblador* as a 'marginal'. This image had been constructed by the elite, the mass media and the state mechanisms of education set historically by the Chilean ruling elite from its economic dominance and sense of moral superiority (Piña, 1987). The identity of the popular sectors was constructed in one way or another from the image of them built by the bourgeoisie. Second, a political reason: the leftwing intellectual and political elite aimed at engaging with the popular sectors as a way to modify, orientate and co-opt them for electoral support. Third, the *pobladores*' own everyday experience as socially and territorially excluded popular actors was a powerful agent for creating identity (Romero, 1987, 2007).

Therefore the historical experience of *pobladores* in Santiago was not guided by a charismatic leader, but arose at the existence of a proletarian class as a subject, from the 1960s consciously integrated in a sort of populist[20] pact with the state (Raposo *et al.*, 2005). Thus by the final stages of the Popular Unity government, there was no differentiation between state, social actors, and political system. Social actors were constituted *through* the state, and inversely, the state was defined by a policy of social mobilisation and inclusion, as the experience related by the ex chair of the Corporation for Urban Improvement (CORMU), Miguel Lawner, quoted in the previous section, reveals.

Artistic creation was also channelled as a driver for invigorating *pobladores*' consciousness and 'exporting' their experience and organisational levels to other forms of class struggle. As Finn (2006b: 17) observes for the pioneering La Victoria *población*:

> Free concerts and plays, sporting events, and community pageants were part of everyday life. Artists from around the country came to celebrate and promote the social and cultural hope of Chile's working classes, of which La Victoria was emblematic. [...] The streets of La Victoria [were] the stage from which residents both talked back to state power and crafted their own meaning of community with the cultural and material resources at hand. [...] Victorianos shared their experiential knowledge with other fledgling grassroots organizations, and they helped in the planning of several other successful *tomas*. [...]

[20] Populism is understood here as the use of particular socioeconomic advantages for incorporating the popular sectors into a system of domination; hence, it is antithetic to popular. The latter aims autonomic working class agency whilst the former weakens it (Moulian, 1997). See Appendix 1-Glossary for further definition.

> Residents were realizing the power of community action and the capacity of people's organizations to create institutional change. They were positioning themselves as makers rather than victims of history, and transforming conditions of oppression into resources for crafting critical consciousness, collective identity, and political power.

Being founded as *campamento* in 1957, in 1960, La Victoria housed around 18,000 residents, 48 neighbourhood block committees, 40 mothers' centres, a weekly newspaper, and numerous theatre, dance, and musical groups (Ibid). But no matter how heterogeneous the experience was and how fragmentary the popular identity could have been among the nearly 300 *campamentos* across Santiago, this identity has certainly persisted among residents and grassroots leaders of many of the peri-central *poblaciones*.

3.5.3. Social organisation of the everyday life in campamentos

As Castells noted, *campamentos* were less motivated by a sense of historical revolution and more by a strong sense of everyday life. In fact he observed three types of consciousness that structured life in *campamentos*:

a) **the political**, which used the *campamento* as a launching platform for the revolutionary struggle,

b) **the collective**, whose goals depended on the success of the *población* as a community through the collective effort of all its residents, allied to (but also supported by) government's initiatives, and

c) the **individual**, focused upon the satisfaction of every household's demands through its participation in the life of the *población* (Castells, 1985a).

While the first one is structurally-determined, the latter two are clearly within the sphere of people's agency developed more freely. Once a *campamento* was established, the individual level soon acquired more importance than the collective one. The goals assumed by every household prevailed over political reasons and strategies of collectivisation, transforming urban life into something far more individualistic. In many cases, there was a deep gap between the militant leaders of the *campamentos* and the majority of residents. Whilst the former sought a revolutionary political line, for the

latter, the struggle was about access to land, dwellings, services, and the final configuration of an average neighbourhood (Klaarhamer, 1989). Also, from the popular life of *poblaciones* emerged several traditional gender contradictions between the political and domestic roles of women. In fact, the female *pobladora* was a subject seriously constrained in terms of political participation or social leadership. Women were seen either as potential political leaders or housewives, but not both. The domestic space also reflected this, since in many *campamentos*,

> [m]ost houses […] tried to enclose a piece of land, to mark a front yard as a semi-public space, while refusing space for common yards. The shack itself was divided between the main room, where the man could receive visits, and the kitchen-toilet, the private domain of woman. Only the more enlightened leadership tried to make some space available for public use, but this practice led to spatial segregation: the shacks of the leaders tended to be concentrated towards the centre of the *campamento*, close to the shack used for public purposes. The discrepancy between the level of involvement and consciousness thus became expressed in the spatial organization of the settlement. Individualism was even more pronounced when the residents were called to decide upon the design of their own houses. While asking for architectural diversity (three types of houses were built to fit the different sizes of families), they emphasized the desire for a standard design, utterly rejecting high-rise buildings. They also asked for the individual connection of each house to the water and electricity supply, restated the convenience of individual yards, and specified that the conventional domestic equipment, including television sets and individual electric appliances, would have to have enough room in the new houses. (Castells, 1985a: 203).

Although it seems clear that peri-central *poblaciones* in their origin were not a sort of micro-society at the margins of the general social organisation, there are several elements that until today singularise them as conspicuous and autonomous responses to everyday problems, obviously contextualised in their specific realities, material lacks and means. According to Castells (1974) and Espinoza (1988), the following characteristics were regular in *campamentos*:

a) **Justice, vigilance and discipline:** a survivalist mechanism organised for facing police repression and potential evictions, for night guard and control of drunks and intruders. Later, this would become a self sufficient system of prevention of delinquency and internal conflict resolution. Although this power laid on the moral authority of the leaders or a directive apparatus, it rarely became a power force manipulated by the interest of these groups, being much more often a

legitimate and unbiased expression of popular rules that defended values considered indispensable for communal survival and punishing societal misconducts, such as poor assembly participation, domestic misbehaviour and alcoholism. However, the exercise of justice was generally non-repressive, and the strongest penalty was the expulsion from the *campamento*.

b) **Work and unemployment:** In early stages of *poblaciones*, unemployment rates were higher due to the people's need to defend the land and build their space. Unemployment was usually solved through three instances: first, Committees of Unemployment helped workers to search for jobs; second, the directive management of every *campamento* provided remunerated internal jobs as watchmen, cleaners, etc.; third, workers brigades were employed in the building of houses, operating as construction firms; fourth, women's committees were formed to prepare food for the watchmen, operate health clinics and ensure that the internal rules regarding alcohol consumption were enforced.

c) **Political-administrative dimension:** Analogous to the existing Neighbourhood Committees, every *campamento*'s level of independence regarding the state varied depending on its level of internal political consciousness. Although health care, education and basic infrastructure were issues generally provided by the state, the lack of political state support during the dictatorship (1973-1990) made that aspects like education and basic service provision became the focus of much collective work, as a way to face the shortage and cooptation existing during this time.

3.6. Peri-centre: a synthesis of regulation and social upsurge

From 1953 to 1973, the Chilean state progressively organised an apparatus for spatial planning, building sector subsidisation and social housing production (including CORMU, an specialised office aimed at peri-central urban renewal). In spite of its evident achievements, this relatively integrated apparatus showed several structural limitations for the lack of resources and gigantic housing shortage, generated by the

asynchrony between a limited national productive capacity and a politically elevated social demand.

This asynchrony soon found a safety valve: the urban social movements that seized land and self-produced *campamentos* in order to solve the housing shortage. Although urban land seizures had existed since 1953, from 1967 onwards its number would seriously increase in Santiago to the extent that there would be *campamentos* across the whole Greater Santiago Metropolitan Area. Yet these enclaves would be more than transitory residential spaces. They led to a more permanent *pobladores*' identity and collective forms of social organisation.

As the next section examines, the military dictatorship (1973-1990) transformed the hitherto complex state apparatus into a market-led mechanism of housing and urban production. Most *campamentos* were also attacked (and many of the residents evicted) by the state, yet the *pobladores*' world in many ways subsisted and crystallised in what today constitutes the peri-centre.

3.7. Neoliberalism in Santiago, 1973 onwards

The internal contradictions of the 'import-substitution' mode of regulation led to the major political crisis of 1973. The Popular Unity coalition suffered internal strains as the most leftist sectors demanded faster routes to social transformation. International economic boycotts led by the U.S. suffocated the Chilean economy, and opposition media campaigns, conservative-led workers strikes and food shortages artificially created by speculators fuelled further internal chaos. The military coup[21] of September 11th broke almost five decades of democratic life and started 17 years of political repression with economic liberalisation in the country (May, 2008; Valdés, 1995). The dictatorship's monetarist experiment was based on the idea, inspired on the School of Chicago's axioms, that a contraction of the money supply would be effective to counteract inflation and normalise the economy (Frank, 1976). Main aspects to target by

[21] Led by General Augusto Pinochet, hitherto considered as 'reformist' and loyal to the UP government (Rojas, 1973).

the neoliberal dictatorial regime were the health care system, pensions and education (Paley, 2004). Yet, in more specifically 'urban' terms, neoliberalisation was the basis for a state policy of de-industrialisation, deregulation of the urban sprawl and housing production, reinforcement of urban spatial segregation through a specific policy, roll back of central state administrative functions (giving regulatory responsibilities to municipalities without transferring capacities proportionally) and, more crucially, material and cultural fragmentation of the working-class *poblaciones*. These factors had considerable impact on Santiago's peri-centre, as examined next.

3.7.1. Peri-central de-industrialisation

Revealing the internal contradiction of the neoliberal theory that advocates free market but relies on state-power shock (Klein, 2007), state mediation was decisive for iron-fist applied creative destruction of the productive sectors. From 1975, the economic reconfiguration of the country aimed primarily at dismantling the institutional apparatus and productive capacity established during the previous economic and political period of industrialisation. This aimed at refocusing the country's production based on a rationale of international 'comparative advantages' (Fourcade-Gourinchas and Babb, 2002; Ricardo, 1971) seeking to remove as many barriers as possible to international trade, the liberalisation of the domestic capital markets and openness to external financial markets (Gatica, 1989).

The consequence was a considerable drop in the share of manufacturing in GDP from 26.3% in 1960 to 21.6% in 1980, and a fall in manufacturing jobs from 40.7% of the national total in 1960 to 16.5% in 1979. The historically important role of manufacture meant that the monetarist experiment in Chile would have deep social consequences. In the first year of the dictatorship, prices of basic consumer goods rose between 400% and 500% (whilst wages increased only 67% in average), whereas unemployment rose to between 20% and 25% in the whole country (Frank, 1976), mostly due to the loss of manufacturing jobs. Since manufacture was located mainly in Santiago, the decline of the sector affected considerably the spatial distribution of this activity in the metropolitan region. The following table summarises the impact of de-industrialisation in the national radical economic transformation.

Whilst during the government of the Popular Unity, between 40% and 50% of the workforce in *campamentos* belonged to the industrial proletariat (Castells, 1974), during the dictatorship, this number had decreased to 20%, whereas workers in the most representative *poblaciones* were self-employed (35%) or part of the service sector (42%). The latter usually implied precarious and informal jobs in the occupational structure of the changing economy. Similarly, the level of unemployment in *campamentos* increased from around 18% in 1971, to 35% in 1984 (Klaarhamer, 1989). Further substantial changes in the labour market include the dismantling of the legal protection to minimum wages set in the previous period, which caused major effects on the national labour structure and culminated with a new Labour Code passed in 1979. The latter was inspired by criteria of labour market flexibility and liberalisation, and its basic provisions have remained in force ever since (De Mattos, 2000).

		1974	1975	1976	1977	1978	1979	1980	1981	1982
1	GDP									
	Developing Countries (1974=100)	100.0	102.0	110.2	118.4	126.5	130.6	136.7	136.7	-
	Latin America (1974=100)	100.0	100.0	107.0	112.0	117.0	126.0	133.0	127.0	-
	Chile (1974=100)	100.0	74.5	79.0	85.7	93.7	101.1	107.3	110.1	86.3
	Chile: Share of Manuf. GDP	25.1	21.5	22.0	21.7	22.0	21.9	21.6	20.9	19.3
2	Employment									
	Developing Countries (1974=100)	100.0	105.3	113.7	118.9	123.2	126.3	128.4	-	-
	Latin America (1974=100)	100.0	106.4	109.6	112.8	116.0	119.1	121.3	-	-
	Chile (1974=100)	100.0	90.6	83.9	83.4	83.3	82.4	79.0	76.6	63.5
	Chile: Share of Manuf. Employment (%)	-	17.2	17.0	16.7	16.3	16.5	16.1	15.8	12.7
3	Number of Bankruptcies									
	Total	28	80	131	224	311	344	415	431	810
	Manufacturing	9	22	32	62	78	78	82	101	150

Table 3.2. De-industrialisation indicators for the Chilean manufacturing sector, 1974-1982

Source: Gatica (1989)

The hard years of restructuring were followed by a phase of fast national economic growth with average annual rates of 6.6% between 1984 and 1989, and 7.4% between 1990 and 1998. This was also accompanied by a significant increase in total national employment. Between 1986 and 1996, more than 1,400,000 jobs were created, as the

Figure 3.8. Empty industrial sites in current Santiago's southern peri-centre

a) and b) Yarur industry in PAC northern area, definitively abandoned in 1991; c) former industrial plots used as warehouse in San Joaquín *comuna*; d) *Zanjón de la Aguada* and its bordering abandoned industrial plots. Source: photography taken by the author

total unemployment rate was reduced from 10.4% in 1986 to 5.4% in 1996 (De Mattos, 2000). However, whilst at the end of the dictatorship the economy of the country saw a period of general recovery, the negative effects of the restructuring were felt more intensively in the peri-centre of Santiago. A few years after the military coup, every peri-central industrial district saw a number of factories closed and their land being reconverted into residual uses (mainly warehouses or parking lots). After the national

manufacturing industrial production had partially recovered by the mid 1980s, a number of industries closed or migrated to newer, more advantageous, and dynamic peripheral industrial clusters, leaving brownfield areas behind and considerably affecting the surrounding neighbourhoods through cycles that have taken place up to the present (see CHAPTER 4 for further analysis on this). An effect was a dramatic devaluation and 'informalisation' (Kruijt *et al.*, 2002) of the local workforce in the peri-centre, increasing levels of unemployment with consequences for the pauperisation of working class households (Chateau and Pozo, 1987; Gatica, 1989). Another example of destruction, in fact the continuation of a previous process of decay, was the definitive dismantling of the 'iron belt' which connected the industrial enclaves surrounding the core of Santiago (Thomson and Angerstein, 1997). At the end of the 1970s this circular train stopped functioning, leaving up to the present around 1,800 hectares of state-owned derelict brownfield land[22] that would strongly hinder future possible projects of renewal (Rojas, 2004).

3.7.2. Radical liberalisation of the urban space

Due to the dismantling of the manufacturing sector and the relatively easy flow of international credit in the 1970s, the financial sector saw a big opportunity to invest the now formerly industrial idle capital into the property market, because the latter offered better rates of return. Key regulatory changes were the abolition of taxes on underdeveloped land plots in 1976, lower taxes on land transactions, liquidation of CORVI's reserves of urban land, delivery of property land titles to more than 100,000 households in Santiago (peri-central residents that had once benefited by the *Operación Sitio* programme but now faced new tax bills) and the eviction of residents from illegal *campamentos* in areas of highest land value (Sabatini and Arenas, 2000). Moreover, cadastral property values were reduced in 1975 as a way to face an imminent recession, but were not adjusted to market levels during the military regime (Collins and Lear, 1995), creating an artificially lowered tax environment for the real estate market.

[22] It is in these sites that the failed Santiago Inner Ring project was proposed. This is discussed in CHAPTER 4.

However, on top of the abovementioned changes, the capital shift into real estate was stimulated by the 1979 repeal of the metropolitan urban perimeter. Based on the assumption that this was the cause of the artificial increase in land prices in the already declining inner city (due to high levels of demand leading to artificially high land prices) the now dominant rationale inspired by neoclassical economics sought the abolition of this perimeter as a way of expanding the supply. Theoretically, this should have reduced land prices in the inner city, thus making its regeneration comparatively more attractive than sprawling development (Massone, 1996). In 1979, 100,000 hectares of agricultural land, 2.5 times the size of Santiago at the time, switched from rural-low density to urban use through a special law passed in 1979[23] (Poduje, 2006). This law also implied the elimination of most of the restrictions to urban expansion contained in the 1960 metropolitan plan. From then on, the size of the city would be determined only by the competing profitability between urban and rural land uses.

However, if in the past, relentless urban sprawl had been a problem with many causes (for instance, the production of CORVI and MINVU considerably expanded the city, as examined in section 3.4) this new type of urban growth was more chaotic and caused far more urban, environmental and social externalities given the minimal restrictions to development, e.g. infrastructure, soil or water flood assessment, networks, amenities and so on (Massone, 1996).

If the free market was imposed as the supposedly most efficient spatial regulatory mechanism, its market failures were ignored (i.e. lack of homogeneity, since unlike any other market, every piece of land is unique; lack of transparency; uneven concurrence of market agents; and extremely high negative externalities; see Daher, 1991). What happened was that land prices in the expanding upper-class neighbourhoods did not decrease, but grew up to 100% annually until 1981, whilst growth rates in the low-income peripheries were only slightly lower. However, the overall outcome was the increase in the cost of inner city land for low-income housing (Collins and Lear, 1995): the ‘social’ city was being expanded in search of low-price land with considerable lack

[23] Supreme Decree N° 420.

of infrastructure. The city's total urbanised area therefore grew up from 29,500 hectares in 1970 to over 46,000 in 1992[24] (Ferrando, 2008).

But the chaotic environmental effects of the 1979 policy were so evident, that only 6 years later a new 'adjusted urban policy' was passed, which at least in its discourse would reassess a reintegrated urban perimeter every ten years and apply stricter controls to its expansion. Yet none of those new regulations were actually fulfilled (Trivelli, 2006). At the same time, the central and peri-central space of Santiago became derelict since the market preferred the much profitable peripheral expansion than inner city redevelopment (CED, 1990). As will be seen in CHAPTER 4, the deterioration of built environment conditions in the metropolitan core peaked precisely between the 1970s and 1980s (Arriagada *et al.*, 2007), and many actions for its reinvigoration were started precisely after this period. In sum, whilst the first goal of the neoliberal urban policy – to control land prices – was not met, the second one – to invigorate a capital switch into the building sector – was a resounding success, even at the high cost of expanding the city without any rational criteria. In sum, the peri-centre became comparatively less attractive for the privately-led market of urban development, whilst its local economic base had been dismantled.

3.7.3. A free-market housing sector?

A third necessary condition for securing the switch of formerly industrial idle capital into landed circuits of capital was the dismantling of the existing state-built social housing apparatus that, among other goals, had targeted the peri-centre as a feasible space for urban densification. This dismantling took place from 1975 onwards, and the alleged goal was to improve the production of housing via setting up a *laissez faire* market with open access of private realtors and developers. However, the Chilean policy rather than reflecting a clear choice of free market, was characterised by hesitation, policy contradictions and incremental choices, as a result of the military's effort to deal with its two contradicting overarching goals: radical *laissez faire* economic growth

[24] Some authors argue that between 1979 and 1990 the pace of urban expansion was in fact reduced (Galetovic and Jordan, 2006; Petermann, 2006). Whilst quantitatively these authors are right, they overlook the usually poorly serviced and low-quality social estates built during the period.

versus political and social stabilisation (Kurtz, 1999). Hence surprisingly conflicting with the neoliberal orthodoxy that recommended a purely free market with no state intervention, the dictatorship continued the sort of tradition of subsidising social housing, yet in a market-led way with privatised, much more competitive financial systems involved (Gilbert, 2002; Richards, 1995). The regime reinforced the role of the central state in the subsidisation of formal 'solutions' and its localisation, even at the risk of conflicting with policy directives from the World Bank, Inter-American Development Bank (IDB) and USAID[25].

Although this new system would have been impossible to accomplish without the whole institutional and economic infrastructure that had been developed during the previous democratic era, it implied high doses of creative destruction. The Housing Corporation (CORVI) was partially dismantled and transferred to the newly created Housing and Development Service (*Servicio de Vivienda y Urbanización*, SERVIU). The Corporation for Urban Improvement (CORMU) and all its legal and technical attributions aimed at inner city revitalisation disappeared. Both offices were closed down in 1976 (Wolff, 2003). The state also stopped subsidising building firms, as it had been so far, redirecting subsidies to households instead. In this vein, SERVIU became a voucher-provider for families listed according to a ranking system. Beneficiaries would be selected according to objective indicators like household size and demonstrated saving capacity (Gilbert, 2004). By providing well-targeted subsidies for increasing the demand, while introducing financial and social security reforms, the rationale was that private agents would stabilise the market in a few years[26].

However, this privatised housing system took time to take off and it started to reduce the housing shortage only from the mid 1990s on, under an elected democratic regime. What happened during the 1970s and first half of the 1980s was that the poorest people were usually disqualified because unemployed heads of household, often living as *allegados*,

[25] For instance, the IDB strongly advised that Chile should provide 'sites and services' as a way to reduce the growing deficit, but MINVU insisted to build finished dwellings (shortly after, only first-stage wet-core units). The military rulers associated self-help construction with *callampas* and *campamentos*, hence political radicalism (Sugranyes, 2006).

[26] This privatised distributional rationale remained untouched up to 2000, being gradually replaced by the more collective distributional rationales of the *Fondo Solidario de Vivienda* programme. This issue is central in CHAPTER 7.

were unable to save the required minimum to qualify. Between 1979 and 1981 the poorest third of the country received less than 24% of these assigned resources for housing, while the middle third captured 64% of them. Furthermore, from 1980 to 1982 over 90% of the vouchers went to the 40% highest-income population. Just after the recession of 1983, the government granted a 13% subsidy on the sale of 14,000 high-priced homes that the private sector was not being able to sell by its own. Chileans in the highest 10% income bracket captured 67% of the total housing subsidies granted in Santiago in that year, while in 1985, 53% of households shared space with additional families, and 41% had 3 or more people per bedroom. By 1990, only in Santiago 180,000 households lived as *allegados,* 60% of whom were among the poorest 40% (Collins and Lear, 1995). The historical class-biased inequalities of the housing system in Santiago were more alive than ever under the new Chilean policy set up in the 1970s.

If before 1973 people could as a last resort participate in land seizures and *campamentos*, under military rule such choice became too risky. But any help for the lowest-income sectors of the population had been already eliminated. The System of Savings and Loan Institutions collapsed in 1977 following banking deregulation. In 1980 the pension system that previously offered low-interest, long-term loans to workers (see sub-section 3.4.1, page 103), was almost entirely privatised, whilst private lenders prioritised more speculative investments than low-income housing projects. Mortgage rates dramatically increased so that more people than ever were unable to enter the housing market without government aid (Collins and Lear, 1995). The existing housing state apparatus had been dismantled and replaced by a highly speculative one.

As a response to the again rapidly growing housing deficit, Chile threw off the balance between quality and quantity, choosing the latter as an alternative (Gilbert, 2004). Even though quantitatively the model set up in Chile is a rather unique successful case in Latin America that in the long run kept in check the housing shortage in the country (Torres, 2008a), seen from the present, the policy seems to have been highly unsuccessful in qualitative terms, given the small size of units produced (currently, an average of 32 m^2), the poor quality of the dwellings provided and, more crucially, the grave deficiencies of urban services and amenities in the new peripheral *poblaciones* (whilst

the hollowing-out peri-centre remained far better serviced and connected) (Rodríguez and Sugranyes, 2006b).

The housing production under neoliberalism accentuated the already existing levels of socio-spatial segregation in most Chilean cities, especially Santiago, a cumulative effect that would explode in the mid 1990s in several riots and unrest. It also much contributed to the expansion of the city and the reproduction of extremely pauperised peripheries, plenty of social housing without enough services and amenities (Rodríguez and Sugranyes, 2006a; Rodriguez and Winchester, 2001). This affected not only the fringes but poor housing estates began to appear in the remaining worst serviced areas of the peri-centre. In these enclaves, a collective feeling of stigmatisation and humiliation was taking hold, worsened by alienation and anomy[27] (Márquez, 2006).

There was reluctance by developers to use proactive urban development measures, and the need to increase the number of dwellings produced with a given budgetary allocation led to reticence in incorporating mitigating urban measures. Since in reality no *laissez faire* existed but a market protected by a continuous flow of state subsidies, the capacity of construction or design innovation was reduced. Developers became also uncompetitive and projects became speculative, because "large and homogeneous concentrations of projects [were located in] zones of urban expansion, where the firms that won the bids already owned available land." (Sugranyes, 2006: 39) The real business was to capture land value increases (via rural land annexation), making people pay for the land using the state subsidies. In fact, it has been estimated that from 60% to 100% of the social housing subsidies since then have been directed to pay increases in land prices (Smolka and Sabatini, 2000). What the dictatorship installed was a system of rapid capitalisation via land rent private accumulation, resulting in uncontrollable urban expansion and a gradual decline in the quality of the product delivered.

Another key form of accelerating capital switching into real estate was to set up considerable tax exemptions for private realtors and builders. Laws in 1975 and 1987[28]

[27] The image of a deprived and stigmatised peripheral space is a powerful reason that the residents of Pedro Aguirre Cerda had for struggling against their potential displacement from the peri-centre. This point is core in the analysis of CHAPTER 6.

[28] Executive Order N° 825 in 1975, and Act 18630 in 1987.

gradually established a reduction of 65% VAT for the building sector and all real estate operations. These reforms were enthusiastically supported by the National Association of Building Firms. The main goal of this legislation was, as the government claimed, to promote the activation of a market of social housing construction (Luna, 2006).

Recent analysts have illustrated how the law of 1987 was a poorly targeted policy. Unlike other countries such as Colombia, Argentina or Spain where legal tax reductions to the building sector are established on a progressive basis oriented to promote low-income housing construction (Vásquez *et al.*, 2005), the Chilean tax exemption was for all 'affordable' dwelling[29]. Thus the benefit covered from small and poorly executed dwellings to upper-income residences and holiday second properties, and even properties used with productive purposes disguised as residential dwellings (Herman, 2007b, 2008a). As the VAT reduction is fixed for all units, recent analysers have detected that exemptions to upper-income properties can be 14 times bigger than to the lowest-income ones. By 2005, the VAT reduction to builders and developers reached a total of around US $ 290 million annually, around 75% of the total fund spent by the Ministry of Housing and Planning (MINVU) for subsidising social and 'affordable' housing (*vivienda económica*) or the equivalent to more than 16,000 new affordable dwellings priced in 500 UF, built every year (Astaburuaga, 2005).

According to the National Association of Building Firms, this VAT reduction helps boost the market and contain prices of low- and middle-income sectors, as otherwise market products might become unaffordable. For the last 35 years, one of the main roles of this association has been lobbying the state institutions, both executive and legislative powers, whereas its lobbying power has not decreased whatsoever from dictatorial to democratic times (Ruiz and Zambra, 2008). Evidence on this is revealed by *Diputado* (MP) Álvaro Escobar, a member of the Parliament's Housing and Urban Development Committee, who recalls his own experience on how the Association's forms of lobbying and pressuring the parliament are rampant.

[29] Since the DFL2 Law of 1959, affordable dwellings are those under 140 m^2 (see sub-section 3.4.1). The term 'affordable' is paradoxical, given that most of this housing is unaffordable by important social groups.

> There is a project that hasn't being possible to pass in the Parliament, which is the elimination of the devolution of the 65% of these firms' VAT. This benefit was implemented at some historical moment to boost building activity […] Yet the inconsistency between the position of some *Concertación*[30] MPs regarding tax issues and their claim for adjustments towards a more equitable income redistribution don't fit well with their position at the time of eliminating this [abovementioned 65%] exemption. [Furthermore] the first thing I received in the Housing and Urban Development Committee, starting our first session in 2006 [… was] a yearbook from the Association of Building Firms, put by somebody on our oval table… OK, we all drink Coca Cola and Nescafe when we are in these meetings, with no shame. But when you, as a member of the national legislative power, receive an Association's yearbook… Excuse me? I would have preferred to have received the list of the pending issues left from the previous legislative period [2002-2006] which we obviously received later… but we had a yearbook from them on everyone's place […] I remember one of us said, quite timidly, trying to not to be too touchy: Is it normal to receive this kind of material here in the national Congress? I'm telling you: in the Congress we have defenders of the Association of Building Firms, and that's a fact. (Interviewed on 5 April 2007)

3.7.4. Reinforcing socio-spatial segregation and polarisation

The military regime also fiercely fought against *campamentos*, especially evicting *pobladores* from the eastern upper-income *comunas*. If in the past CORVI had moved *campamentos* from hazardous land sites and transferred their inhabitants into new estates (Aguirre and Rabi, 1998), under Pinochet's rules, relocation would be done to distant, under-serviced peripheries. Although the reason argued was that state social policies and projects for these people would work better if they were homogeneously located in the city, a more plausible explanation is that these *campamentos* depreciated land in the upper-income areas, reducing the chances for ground rent increase and its forms of accumulation (Lawner, 2008) while being also potential nests of political violence (Morales and Rojas, 1987). Moreover, once evictions were conducted many empty sites were left in those areas, becoming the sites of important developments benefiting private investors and the local municipalities (Hidalgo, 2005).

[30] Christian-Social Democratic political coalition in government since 1990 onwards. See Appendix 1-Glossary.

In 1979 there were 294 *campamentos* inhabited by 44,789 households, i.e. around 223,957 people, living in the upper-class *comunas* of Las Condes, Santiago and Vitacura (see Figure 3.4, page 110). From 1979 to 1986 around 28,500 households, some 120,000 people, were removed and relocated to the urban peripheries, especially the southern and western ones (Hidalgo, 1999). Preferred locations were Puente Alto, La Granja and La Pintana *comunas* (Kusnetzoff, 1987), some of these areas where low-income people lived, although many other *comunas* were also receivers (see Figure 3.9). Yet these violent evictions targeted not only irregular *campamentos* but also consolidated neighbourhoods previously produced by *Operación Sitio* or even well built CORMU estates.

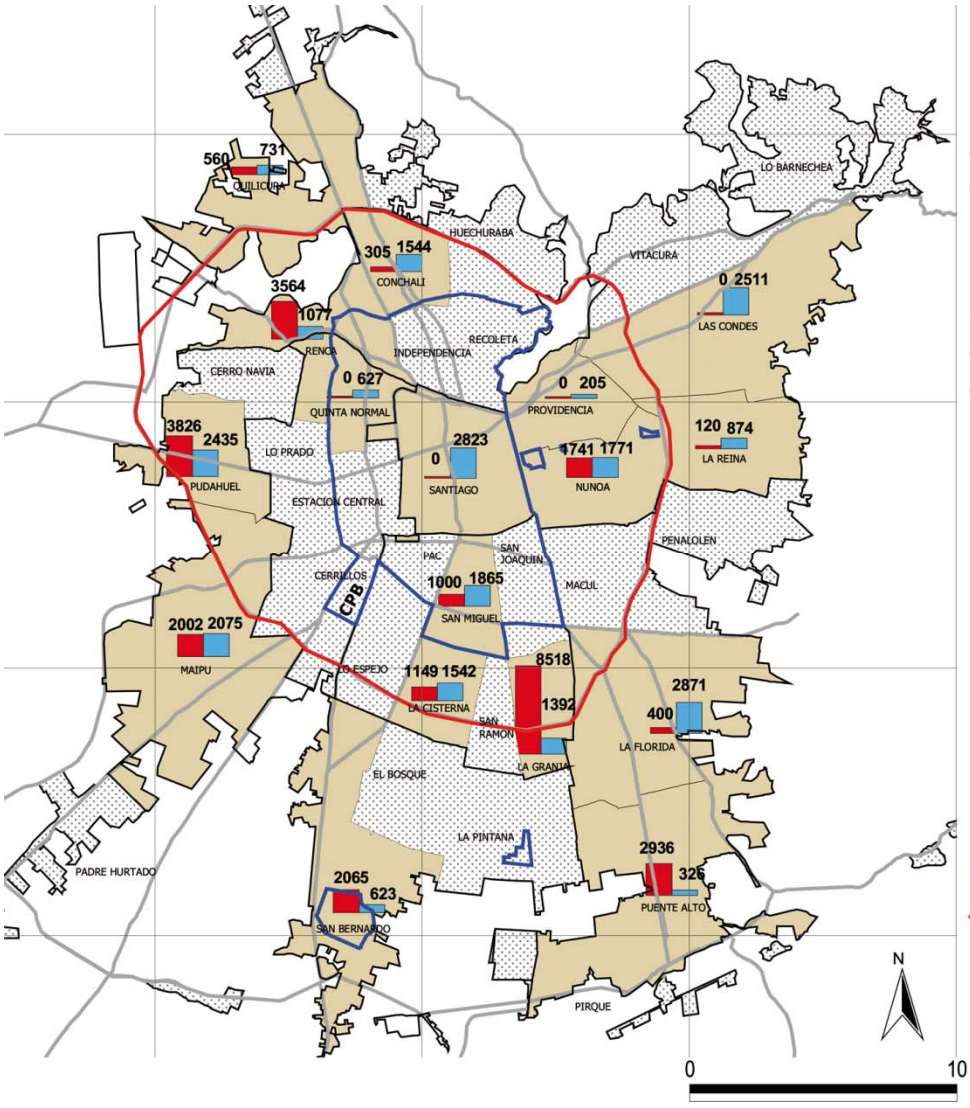


Figure 3.9. Origin and destiny of evicted households, 1979-1985[31]

Source: own elaboration based on Morales & Rojas (1987)

[31] Only 16 *comunas* are coloured, the rest had not been created in 1983 hence territories like San Miguel's or Santiago's should be interpreted as much larger than this image shows.

An especially crude case of this was *Villa San Luis* (addressed in sub-section 3.4.4) in Las Condes *comuna*, whose residents received an eviction letter from SERVIU followed by the actual eviction a few days later. The luckiest ones were reallocated in distant state-built *poblaciones*[32], but others were simply left out in the middle of nowhere, in rural areas. On the night of the eviction,

> around 500 policemen were in charge of removing these people. […] 20 families were left in a football field about the Bus Stop N° 37 of *Santa Rosa* Avenue [to the south], eight families were abandoned in some place on the route to San José de Maipo [south-east suburb], four were left in a landfill near Lo Curro [far east], about 80 other families were left in Renca [north]. (Lawner, 2007: 9-10; my translation from original in Spanish)

Villa San Luis' residents were replaced by armed forces staff and their families. Since 1997, the estate was the subject of new-build gentrification and the blocks demolished. Currently the site boasts luxury, high-storey buildings (Cociña, 2008).

Although the prospective of upgrading to better-quality dwellings seemed attractive to some *pobladores*, soon they would experience a series of effects such as weakening of their previous social networks and the fragmentation of their so far very vibrant popular organisations, ties of community and solidarity, which had taken root in their original *campamentos* or estates. The receiving *comunas* were inversely poorly serviced and gradually more pauperised by the massive entry of these newcomers (Collins and Lear, 1995). Evictions represented a breakdown in family life, destroying also local business, labour and leisure interwoven throughout the years, also pressuring public transport systems since they increased the number of people living in the periphery, far from their places of work or education (Lawner, 2008). The new *poblaciones* accentuated the already excessive urban land sprawl in the period 1979-1984, reaching an approximate figure of 1,200 hectares annually, exacerbating also a series environmental problems like loss of natural soil and increase of geophysical hazards (Hidalgo, 1999).

The alleged reason for evictions was to create socially homogeneous *comunas*, toward which the national social policy would work much more efficiently than toward

[32] Through a programme funded by the IDB and World Bank, the regime was providing low-cost, first-stage residential solutions – mainly wet-core units – with low minimum saving requirements and mortgages (Hidalgo, 2005).

building socially mixed spaces, because homogeneity would allow the state to target public resources exactly to the social sectors with highest needs (Gilbert, 1993, 2002). In consequence, a policy of municipalisation was enforced with this aim. However, the results in the most deprived spaces were far from those expected by the regime.

3.7.5. Rolling back, rolling out the (urban) state

A law in 1981[33] subdivided the metropolis from 16 into 32 *comunas*. The aim was to create units of 'social homogeneity' so the government would be able to better target public services. Yet from then on, municipalities had to rely primarily on their own tax base for resources, with the result that in poorest areas the newly independent municipalities had to administer their own poverty, with little or no cross-subsidy from the richer ones (Collins and Lear, 1995). The municipal autonomy was also enforced at the cost of very often competing, contradicting, or even overlapping between jurisdictions. The less affluent municipalities presented less advantages and this created a considerable impact in the peri-centre.

Large and at the moment socially mixed *comunas* like Las Condes, Ñuñoa, Santiago and San Miguel were fragmented into smaller, socially homogeneous spatial units. Soon many peri-central newly created municipalities saw themselves with increasing rates of social deprivation, and even were receivers of additional evicted households. Pedro Aguirre Cerda *comuna* would start to exist officially in 1991 as a patchwork made of the poorly serviced quarters of Santiago, San Miguel and La Cisterna (see Appendix 10). By 2001, the difference in per capita municipal budget between the richest and poorest boroughs of Santiago was 10 times, while in 1990 it had been seven times (Rodriguez and Winchester, 2001). In nine relocated *poblaciones* built in Puente Alto that housed around 13,000 people, there were no schools, a situation similar to La Granja, La Pintana and San Bernardo *comunas*. Regarding public health care, in most of the newly created *comunas* there was one health care centre for every 100,000 people (Morales and Rojas, 1987) while the national rate of public health care centres (considering doctor surgeries and rural health clinics) was one per nearly 10,000 people

[33] Law 1-3260 (Gobierno de Chile, 1981).

in 1986 (INE-CEPAL, 2005; Miranda, 1990). These two data alone reveal the deep fragility of the reconfigured socio-spatial structure created by the dictatorship.

The lack of either regional or metropolitan coordinated government has led to a state of competition among these deprived municipalities, especially the peripheral ones, in terms of attracting projects or private property investment for improving their local infrastructure, but sometimes at a high environmental cost.

A second form of downscaling took place in the public housing apparatus. The regime dissolved the previous state corporations CORVI and CORMU, among others, merging them into the Housing and Development Service (SERVIU). The public housing corporations were regionalised and the System of Savings and Loan Institutions, the centralised public fund for saving and housing credits, was dismantled in 1977. What replaced these institutions was a twofold programme aimed at producing: a) 'basic housing' and b) 'site and services' complemented by variable subsidies to 'completed dwellings'. In general, both programmes implied a dramatic reduction of the size and quality of the 'dwelling solutions' delivered (Kusnetzoff, 1987). In 1975 MINVU's structure was completely reformulated (its current structure comes form that time, the longest-lasting in the history of the Chilean housing sector). Functions like programming, planning and controlling were transferred to the regional offices (Hidalgo, 2005; MINVU, 2004).

3.7.6. The obliteration of the peri-central working-class culture

Control over the working-class world was exerted by dismantling grassroots' organisations, with many of their leaders taken prisoner and subsequently 'disappeared' (i.e. illegally executed in secret) or sent on exile, whilst new Neighbourhood Committee directors were directly appointed by the executive. This aimed at exerting total control over the *pobladores*. Police and military attack on the spaces of the *pobladores* took place only during specific moments of weakest dictatorial political power, just after the coup and during the 1982-1984 political crisis triggered by the national economic recession (Lawner, 1984). Many *poblaciones* still remember people who were or went

missing. La Victoria, one of the most emblematic peri-central *poblaciones*, located in PAC, stores vivid memories of the dictatorship:

> The symbolic power of La Victoria needed to be crushed, the meaning of poblador denigrated, and the hope of [the Chilean Way to Socialism] extinguished. Raids, arrests, tanks, tear gas, and fear became part of everyday life. Residents of La Victoria were among those detained, tortured, "disappeared," and executed as the military regime sought to instill its power over the populace through a systematic campaign of force and fear. Residents were routinely subjected to raids and searches. Through these campaigns of terror the state sought to tear apart the fabric of community and solidarity that had defined La Victoria, and to replace it with distrust, betrayal, and anomie. Many residents recall the terrible fear and isolation that overcame them as the power of state violence took root. They struggled to give meaning to this context of violence and uncertainty. (Finn, 2006b: 18-9)

In many ways, this situation contributed to the emergence of strategies of material and psychological forms of resistance against oppression. During the dictatorship the *pobladores* were also a key social capital for the institutional democratic reconstruction led by a political elite (Salazar and Pinto, 1999a). Several forms of communal life were developed for distributing food and jobs in times of scarcity, widespread unemployment or state police-military attack, to the extent that more than 700 grassroots organisation encompassing 120,000 inhabitants were accounted in 1984 only in Santiago (Chateau and Pozo, 1987). Another form of resistance was the development of *poblaciones*' internal democracy, as a way to contest local authorities imposed by the authoritarian regime (Finn, 2006a). These strategies worked in the cities and not in the countryside due to the conspicuous spatial configuration of these enclaves, namely: proximity, high density and their relative 'ghetto' characteristics (Skewes, 2006).

However, a more constant and programmed form of erasure of the working-class culture took place during the whole period (Piña, 1987), largely based on an individualist economic rationale firmly opposed to the previous historical forms of collectivised demands reproduced across *campamentos* (Silva, 1991). This was related to the constitution of a 'new poverty' (Katzman, 2003b; Roberts, 2004; Tironi, 2003), or a 'market citizenship' which is more satisfied with material assets but has lost relevant social assets such as organisational capacity and social networks.

The ‘new poverty’ in Chile has been much the product of the neoliberal individualisation of the housing system, the spatial configuration created in the new state-built *poblaciones*, and the radical attempt to commodify the collective life. Citizens were being conceived from then on as “‘enterprising’ agents, consumers and producers, whose aim [was] to maximize their quality of life as individuals within small communities, for example, neighbourhoods, schools, or health clinics, […] responsible—through their own individual choices for themselves.” (Schild, 2000: 276) But the construction of this new, more materialistic poverty relied on the traditions of popular activism that stretched back to the early 1960s, including strong women’s organisational experiences and community work, in addition to the practices and discourses of popular participation which came to be central in the socialist period, and which were preserved and developed further during the dictatorship (Schild, 2000).

The formalisation and entitlement of the poor should not be disregarded as a form of cooptation. In the 1970s, many low-income informal settlements started to be regularised and their *pobladores* turned into debtors. Conversely, those who could not afford formal dwellings (or access to public subsidies for it) had to find a solution in the interstices of the formal sector, either as *allegados* or in the rental market (Gilbert, 1993, 1996), thus separating those who could be part of the system, hence stay in their original enclaves, and those who could not, transforming the right to the city into a matter of purchasing power. All in all, the neoliberal housing system much contributed to the higher levels of urban land entitlement. Currently, in PAC above 70% of the housing stock has no debt (SGA-IBERSIS, 2000), which is a high number even for a country where its rate of urban home-ownership, around 76%, is high in Latin America (MINVU, 2008a).

But historical events are dialectical. Although on the one hand the issuing of land titles in *poblaciones* might have contributed to feelings of individualisation and dissolution of cultural collective senses, on the other it contributed to totally reshape the dimensions of the political struggle for the future. As will be seen in chapters 5 to 7, the struggle about the Master Plan rezoning in PAC was conducted within strictly legal terms, being a matter of homeowners for who the most defended right was not only the use value of the land, but also to keep the exchange value of their capitalised land rent.

3.8. Chapter Conclusions

The present chapter observed how the modernising and industrialising mode of regulation developed from the 1930s to 1973 in Chile lay at the basis of the production of the current peri-centre of Santiago. This social-economic system had the capacity of creating peri-central industrial environments, modelling a technocratic state housing and planning apparatus with the capacity of renewing an important part of the dilapidated inner city, and creating a working class consciousness that empowered and mobilised the unmet social demand for shelter. However, deep class contradictions are observed in this history, both in the class exploitative and speculative origins of the land and housing markets in the peri-centre until the 1960s, and in the way the bourgeoisie faced the emergence of the mobilised poor in the city space. The radical attack on the space of the *pobladores* by the dictatorship (1973-1990) is just another manifestation of this kind of class-confrontation.

Another important aspect to note is the historically limited capacity shown by the democratic pre-dictatorship state to control urban speculation and inflation, both factors that excessively appreciated urban land and dwellings' prices. Whereas class speculation was a historical continuum, the effects of inflation were more relevant for the housing policy by the final phase of the Chilean import-substitution mode of regulation. This created a Gordian knot from where the only solution seen as possible by the masses was to undertake land seizures, because they found themselves with no access to the formal housing system. However, the urban social movements would not only occupy the peri-central space and consolidate many of their *poblaciones*, but also generate a permanent popular identity related to this space, which still exists up to the present in many *poblaciones*. This is observed in chapters 6 and 7 as an important social asset for political struggle.

The radical economic liberalisation of Chile was all-embracing and long-lasting. Facing the historical contradiction between national economic capacity and housing supply, the dictatorship resolved it at the cost of lowering dramatically the quality of the housing and space produced, hence configuring a pauperised peripheral space which would contrast with the far better socially and infrastructurally consolidated peri-centre. But at the same time, the inner city was being de-industrialised and its collective ways of life

dissolved by newer market-based, individualistic forms of urban living. From 1979 on, urban sprawl accelerated and a number of new residential and productive units would spread to the periphery, connected by new rapid and increasingly privatised infrastructure passing through peri-central spaces. 'New peripheries' (Dematteis, 1998; Monclús, 1998) and 'expanded metropolisation' (De Mattos, 2001) are just two of the new categories to describe this new 'geography of opportunities' that paradoxically benefited only the most affluent (Sabatini and Wormald, 2004).

The economic, social and political effects of the transition from the period of import-substitution industrialisation to neoliberalism represent a clear stage in the historical process of economic-led creative destruction of the inner city of Santiago, and this considerably shaped the current peri-central space. Inherited from this process are:

a) The high levels of spatial fragmentation of plots, urban density, building heights and relatively homogeneous land use in the *poblaciones*, created as *campamentos* or by the *Operación Sitio* programme.

b) The high rates of land ownership shown by today's *pobladores*, in stark contrast with the newer or renovated spaces in the periphery and renewing central areas. As CHAPTER 4 analyses, this can be seen as a form of urban consolidation.

c) A historically high use value, as a densely occupied and multifunctional residential-working space.

d) The high levels of participation and mobilisation currently shown by the peri-central neighbourhoods, even despite their also higher current levels of social anomie, crime and drug dealing (compared with their historical past).

e) Consciousness about the right to the place politically conquered by class mobilisation, and legitimised by the state in two different ways: first, by regularisation via the *Operación Sitio* programme, second, by land titles legally issued during the dictatorship.

Today's *pobladores* exert their right paradoxically in two ways: both as socially empowered communal actors with collective aims, and as private individual small-scale

landowners concerned with the quality of their properties and their capitalised ground rent. This is closely related to the fact that, seen from the residents' perspective, the historical social and economic life of *campamentos*, although materially precarious, had considerable advantages to the re-localised settlements in the periphery built by the dictatorship or even subsequent democratic governments (Gilbert, 2007; Rodríguez and Sugranyes, 2006a). Aspects like centrality, invigorated social networks, historic and symbolic assets could not be simply eliminated with the transit from a type of society to another (Skewes, 2006) but still represent important social assets for its current *pobladores* (Schild, 2000). These issues, among others, are the core of the analysis in the following chapters.

CHAPTER 4. The current peri-centre and the two entrepreneurial strategies for its renewal, 1990-2005

4.1. Introduction

As the previous chapter showed, the historical production of Santiago's peri-centre is based on four main 'forces', namely import-substitution industrialisation, class-monopoly ground rent accumulation, urban and housing state apparatuses and urban social movements. Most of the space was developed during a period of almost four decades of state-led national economic and social modernisation. The present chapter completes this picture by dealing with more recent spatial-socio-economic processes. Patterns of demographic hollowing out, segregation, uneven development and physical decay are observed as effects of the contradiction between a relatively precarious peri-central urban fabric and the economic liberalisation unleashed since the 1970s and continued with more refined state regulation up to the present.

This chapter also shows that decay and deprivation in Santiago's inner city are concentrated only in particular western and northern peri-central quarters, whilst many other peri-central areas (especially in the south) are still well functioning. This fact contrasts with a generalised idea, in the public sector, about the peri-centre as a generally derelict urban space and subject of the strategies of widespread market-led urban renewal that have taken place since 1990. Yet in fact, the idea of reshaping the inner city of Santiago is not new. As CHAPTER 3 illustrated, this was an important urban development goal in the 1930s and was also a key issue for the 1960 Greater Santiago Master Plan (PRIS). More recent strategies for peri-central renewal were the Corporation for Urban Improvement (CORMU)'s performance until 1975, and later the Plan for renewal of Santiago's downtown deployed from the late 1970s to the early 1980s. CORMU's operation brought back thousands of middle-income residents to live in newly built, high-density modern estates, whilst the much more specific strategy commanded from Santiago-Centre municipality during the early 1980s targeted the revitalisation of the most valued downtown quarters (Bähr and Riesco, 1981; Valenzuela, 2003).

In 1990, when democracy had just returned to the country, the strategy of the Ministry of Housing and Planning (MINVU) would both be more comprehensive and place the renewal of centre and peri-centre as a response to population losses, not only in Santiago but also in the largest cities of the country. This strategy also aimed at recovering urban areas of Santiago, especially in the west of Santiago-Centre *comuna*, one of the most damaged areas of the city by the earthquake of 1985. The state's goal was, and still is, to provide affordable housing for middle-income people in improved central locations whilst seeking to counteract the negative effects of metropolitan sprawl, including inner city's depopulation (Galilea, 2006a). In the specific case of the peri-centre, the Urban Renewal Subsidy (URS) and *Ciudad-Parque Bicentenario* (CPB), a large urban project located in the south-western peri-centre, would be driven towards these objectives. These public endeavours come from different technical rationales and have produced dissimilar outcomes, but, as chapters 5 and 7 will examine, both are factors that considerably increase local potential ground rents (PGR) if they act together with ad hoc national and local urban regulations. And as will be also outlined in CHAPTER 6, both factors were key issues during the struggle for the rezoning of PAC local Master Plan, between 2003 and 2005.

4.2. The current peri-centre of Santiago: an overview

The present section outlines general characteristics of Santiago's peri-centre, such as its demographic evolution between 1992 and 2002 and the general socio-economic characteristics of its population. The conclusion is that the peri-centre is a differentiable area within the metropolis, and an urban space which is more consolidated than the periphery. It is also demonstrated here that peri-central urban decay concentrates only in specific zones. The latter contradicts mainstream discourses about the peri-centre as a generally dilapidated area, hence subject to the existing broad scale, *laissez faire* market-led policies of urban renewal.

4.2.1. Uneven demographic growth and peri-central hollowing out

Following a common pattern of Latin American cities, from late 19th century to the 1970s, Santiago's population grew due to rural-urban migration. This growth intensified in the mid 20th century from over 1.2 million in 1940 to more than 3.1 million in 1970 to almost 5.3 million in 1992, reaching 6.293 million people in 2002 (INE, 2002), around 36% of the national population, 10 percent points higher than in 1950. The latter reveals the intense process of urban development that took place during the second half of the 20th century. In this period, Santiago increased its urban primacy from 2.4 to 2.9 between 1950 and 1990 (Villa and Rodríguez, 1996). Despite in the last two decades Santiago's demographic growth has tended to stabilise around a 1.3 % per year with almost inexistent rural-urban immigration (Trivelli, 2000), the city continues to expand at around 1,500 hectares a year (Ortiz and Escolano, 2005). It seems evident that the low demographic growth cannot explain this fast territorial expansion, but more crucial factors are a widespread low-density housing market that profits from ground rent increases in recently urbanised peripheral land, and a process of inner city hollowing out which took place from mid 1970s (Sabatini, 2000). In sum, low density residential expansion and internal centrifugal migrations are the two main causes for the physical expansion of Santiago.

Between 1940 and 1992, whilst the metropolis grew from 952,000 to 4.7 million, Santiago-Centre *comuna*'s population levelled off from 444,000 to 230,000 people (Ortiz and Morales, 2002). Figure 4.1 shows how from the 1960s the growth of Greater Santiago's population speeded up in parallel with continuous losses in the metropolitan core. The demographic weight of the inner city therefore decreased. In 1970, 42% of the city's population lived in the centre and its ten surrounding peri-central *comunas*, but in 1992 these spaces hosted only 26% of the total. Conversely, increases in peripheral Maipú, San Bernardo, Puente Alto, La Florida and Peñalolén reached 400% for the same period, hosting 68% of Santiago's regional population by the year 2002 (Fischer *et al.*, 2003). Furthermore, almost 50% of the dwellings built in Santiago between 1990 and 1998 were concentrated in Las Condes, Santiago-Centre, Puente Alto and Maipú, and 90% only in the 15 predominantly peripheral *comunas*. In practically all peri-central areas instead, almost no new dwellings were built for this period (López, 2004).

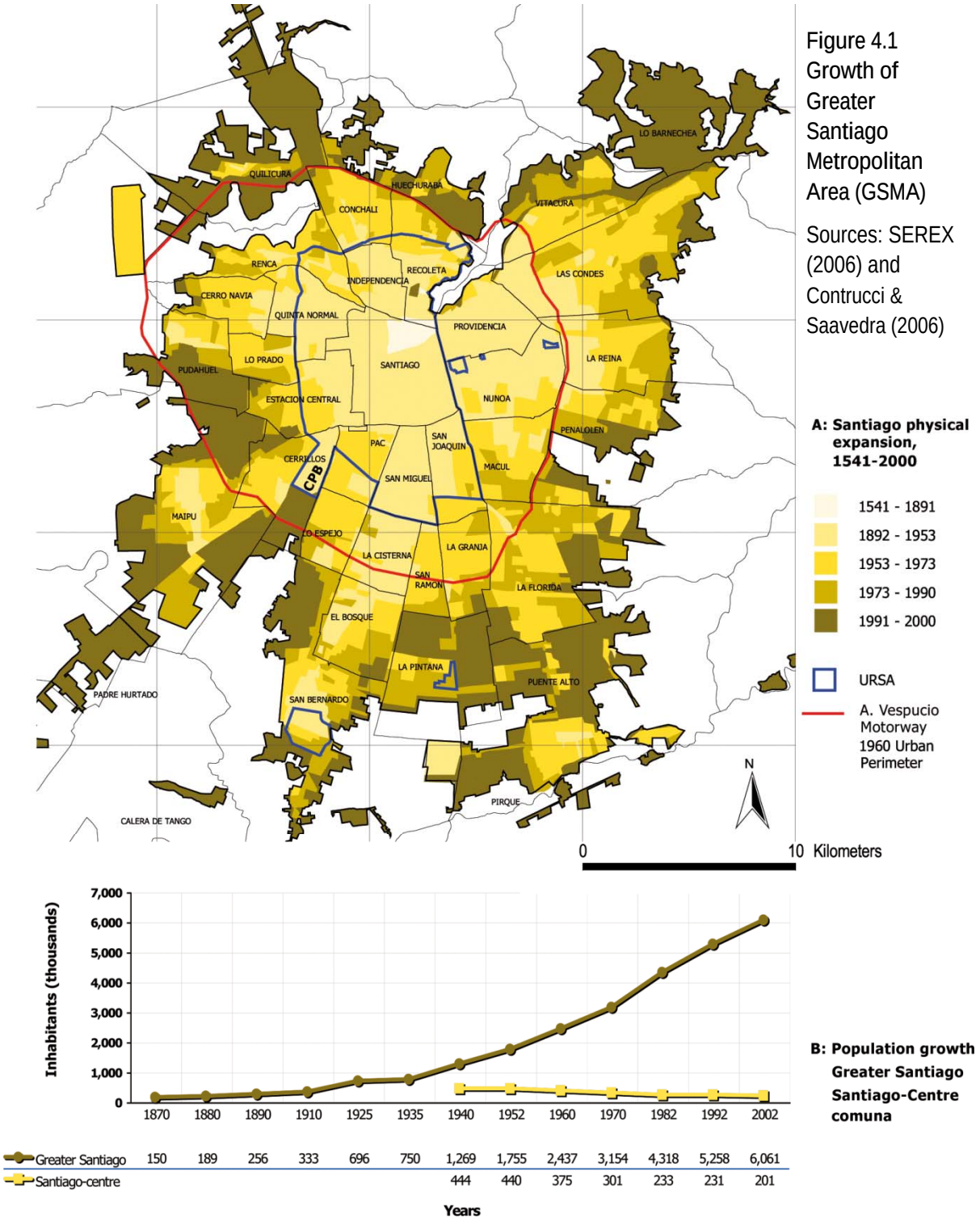


Figure 4.1 Growth of Greater Santiago Metropolitan Area (GSMA)

Sources: SEREX (2006) and Contrucci & Saavedra (2006)

Figure 4.2 shows in a different way how the most peripheral districts (including those of the eastern affluent *Barrio Alto*) have intensively increased their population as the inner

city census districts[1] experienced the greatest losses. In Santiago-Centre *comuna*, only four of its 29 census districts show minor growth, and nine are stable or slightly lose population, being also the districts of more concentrated urban renewal yet not the only ones where the market of urban renewal has been operating. Further major losses are appreciable in practically all the districts inside the URSA, showing marked or very marked rates of de-population (even down to -50%) between 1992 and 2002 censuses.

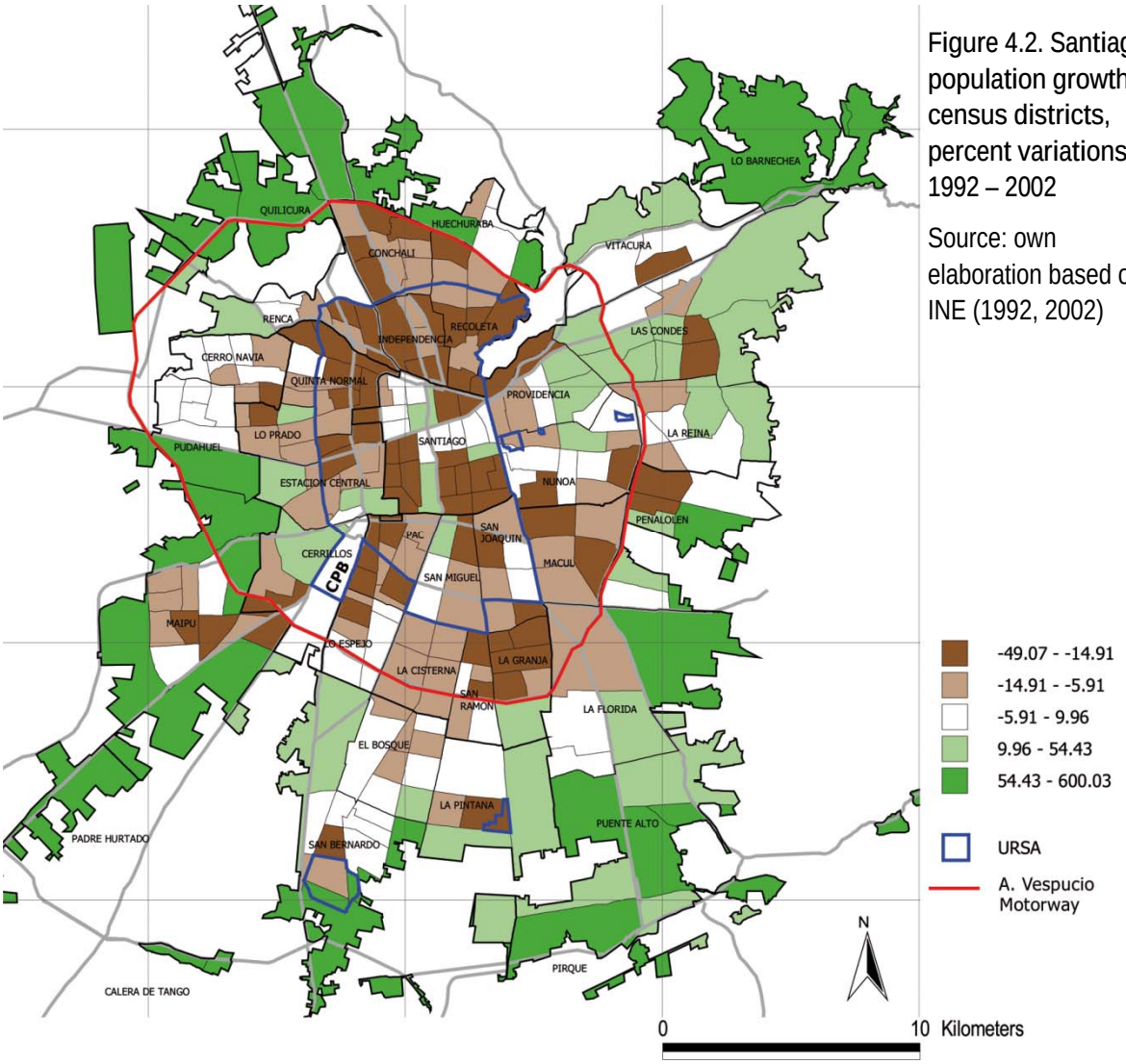


Figure 4.2. Santiago population growth in census districts, percent variations, 1992 – 2002

Source: own elaboration based on INE (1992, 2002)

[1] Census districts are spatial units used for census purposes, smaller than *comunas*. Santiago-Centre comprises 29 districts, PAC comprises eight, San Miguel comprises seven, and Cerrillos comprises four (INE, 2002).

The specific case of Pedro Aguirre Cerda (PAC) *comuna* is interesting because its western neighbourhoods (predominantly self-help buildings and more overcrowded) are losing more population than the eastern ones. In Cerrillos, due to the recent intense agglomeration of low-income social housing especially into its northern districts these show slightly positive rates, whilst the rest show very negative indices. Out of the peri-centre, even the relatively affluent Ñuñoa *comuna* shows considerable losses in its southern districts.

Within the three *comunas* of the south western peri-centre (see Appendix 2), there is only one district (apart from Cerrillos) that shows inter-census gains: El Llano neighbourhood, in San Miguel. With high probability, this is a positive effect of the intense concentration of subsidised new-build renewal that has taken place since 1992 that contrasts with the rest of the districts in the *comuna*, in which the URS has not overturned their demographic negative trends.

In more recent peri-central hotspots such as Bellavista (in Recoleta *comuna*), Lo Ovalle and Salesianos (in southern San Miguel *comuna*) and Estación Central *comuna* (Arriagada *et al.*, 2007), processes of 'renewal without repopulation' are similar to those observed in Santiago-Centre. In general, there seems to be an increase in the number of new units produced there with no considerably improvement in their demographic losses, as will be analysed in section 4.3 below. However, seen at local scale, these demographic losses are very complex phenomena. The following characteristics are identified as their most plausible causes:

1. Out-migrants from the peri-centre are mostly young low-income households that move to the periphery. People look for public-subsidised social 'housing solutions' or affordable dwellings built by the private market instead of central or peri-central urban renewal flats, because the latter are comparatively more expensive. This is substantiated by the fact that young households with several children are usually out of the waiting lists of the Ministry of Housing and Planning (MINVU) for Urban Renewal Subsidy (Cadiz, 2007). The peripheral housing is affordable precisely because of the lower land values in the fringes, yet locations are usually disadvantaged and have fewer amenities.

2. Out-migrations are motivated by new families' aspirations to independency, but also by the incapacity of the peri-central smaller plots (and its usually dilapidated houses) to host dwelling expansion. Current existing public programmes for *in situ* rehabilitation and dwelling extension (e.g. *Fondo Solidario de Vivienda*, see CHAPTER 7) have not worked well especially in the southern peri-centre. Half of this is the result of tight national building regulations; the other half is due to municipal agency. CHAPTER 7 centres the analysis on this.

3. In numbers of cases, migrants return to the peri-centre to live in overcrowded but better located dwellings, giving up the higher distance costs experienced in the periphery. The rate of *allegados*[2] and residential overcrowding are higher in the peri-centre. The final part of this section illustrates this point.

4.2.2. Socio-Economic Group (SEG) in Santiago and the peri-centre

Breaking with traditional patterns of sectoral socio-economic distribution (Bähr and Riesco, 1981; Griffin and Ford, 1980), in the last 20 years or so, several peripheral low-income districts have been showing a broader range of different Socio-Economic Groups (SEG)[3] (Castro and López, 2005), as shown in Figure 4.3-A. Sabatini *et al.* (2001) claim this might reveal a reduction in the traditional (high) scale of segregation in Santiago, hence the emergence of more integrated peripheral social spaces[4]. What seems clear is that urban sprawl in Santiago has been more and more associated with numbers of differentiated spatial units connected by new rapid (and increasingly

[2] *Allegado* is a person or household who inhabits in someone else's house or backyard patio. See Appendix 1-Glossary for further definition.

[3] SEG is a statistical classification used for market research in Chile that groups population in five categories, based on two variables: 1) level of education of the head of the household, and 2) tenancy of assets (from a maximum of ten). From higher to lower, GSE groups are: ABC1, C2, C3, D and E. They are usually associated to ranges of income level, having also great correspondence with socio-spatial distribution in Chilean cities. ABC1 corresponds to the top 11.3% of Greater Santiago's population, C2 is 20.1%, C3 is 25.3%, D is 34.5% and E is 8.5% (ADIMARK, 2000, 2004).

[4] This conclusion has been contested by Ortiz and Escolano (2005), because it might be mechanically associating 'proximity' with 'social integration'.

privatised) infrastructure. A new pattern of development locates upper- or middle-income households in traditionally rural and/or low-income spaces and distributes trade and/or service centres, and new industrial clusters across the whole city. Examples of this are La Florida, Ñuñoa, Peñalolén, Huechuraba and Lo Barnechea *comunas*, which in 15 years have considerably increased their average income of households and land values. Their closeness to the traditional upper-income *comunas* of the eastern *Barrio Alto* is a possible explanation for these increases (Fischer *et al.*, 2003). An opposite example is Puente Alto *comuna*, which between 1992 and 2002 doubled its population from roughly 250,000 to 500,000 whilst reducing its average household's income roughly from US $ 1,300 to US $ 1,000 a month, due to the concentration of lowest-income social housing there.

Figure 4.3-B shows these percentage variations, from the index of SEG contained in the 1992 and 2002 census data. The *Barrio Alto* is the most static macro zone of the city in terms of socio-economic variations, because it has been traditionally relatively affluent, whilst the most peripheral districts of the North and South reach even 120%, of increase in their socio-economic indices. This means they have jumped in average upward in two or more SEG levels, only in ten years. In contrast, as seen in CHAPTER 3, historically, most of the peri-central areas have been middle-low-income and low-income neighbourhood since their creation. Figure 4.3-A shows the predominance of the two lowest indices of socioeconomic-group in three large peri-central and peripheral zones in the north, south-west and south of the metropolis. The figure also shows a clear concentration of low-income population in Pedro Aguirre Cerda (PAC) and Cerrillos *comunas* (the large site of the former airport does not count, since it has no residents), whilst San Miguel presents relatively higher socio-economic levels.

In terms of percentage variation of SEG[5] between 1992 and 2002, the peri-centre has comparatively been more static than the periphery, and kept its traditionally low income population. In fact, it is very likely that the shifts in socio-economic indices (between 25% and 45%) that, as Figure 4.3-B shows, occur in large sections of the peri-

[5] Census population data (INE, 1992, 2002) includes an index of socio economic group (from 1 to 5) which can be assimilated to Socio-Economic Group (SEG). See Appendix 2 for additional analysis of SEG by macro-zones in Greater Santiago.

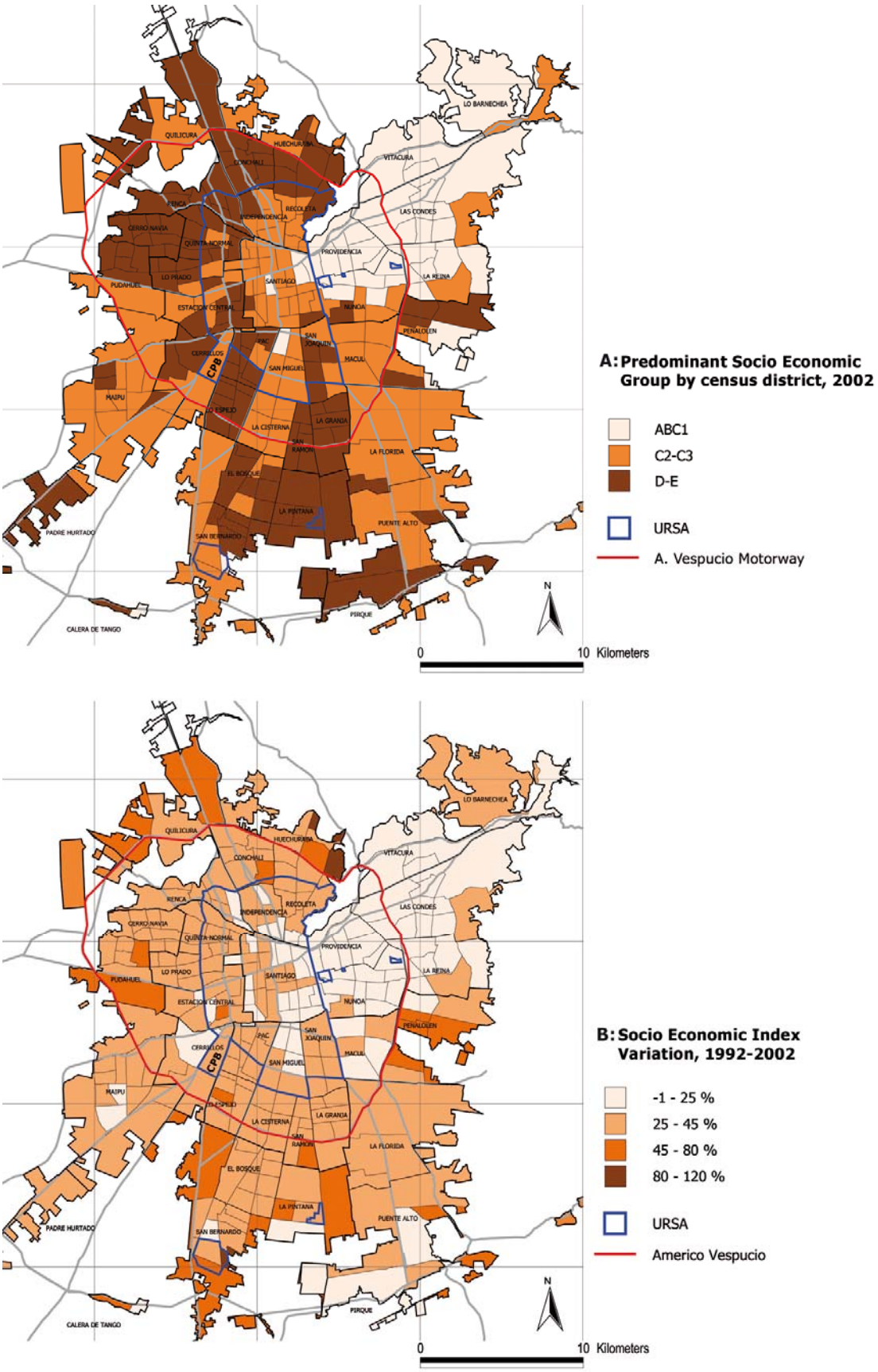


Figure 4.3. Socio-Economic Group (SEG) in Santiago, by census district, 1992-2002

Source: own elaboration based on INE (1992, 2002)

centre are due to an increase in the general SEG and household income in the country and city (INE, 2006). Most of the still non-renovated peri-central districts have not shown analogous reduction in the scale of segregation but instead they also maintain their historical levels of social homogeneity. This means: no new or very few upper-income residents are coming to live in these areas, no new middle-class estates have been built either. In contrast, San Miguel, and part of Recoleta and Independencia *comunas* reveal the relatively higher average income level of their population.

Both figures show quite well the particularly segregated structure of Santiago. The concentration of the well-off in the centre-east cone is visible, whilst the lowest socio-economic groups are far more concentrated in the north, west and southern macro areas. Also, some upper-income enclaves are distributed in districts in San Miguel, Recoleta and Quinta Normal *comunas*, possibly as result of gradual gentrification due to high density renovation subsidised by URS.

At any rate, Santiago's geographical structure seems to be reflecting two parallel forms of growth: one based on geographical micro-scales of diverse social proximity (in the fringes and selected renewing inner city areas), the other composed by large areas of similar social conditions, similar to the functional large-sectors models used to describe urban forms in the 1980s (Bähr and Riesco, 1981; Griffin and Ford, 1980), analysed in CHAPTER 2. The latter is especially appreciable in Figure 4.3-A, in vast zones of the peri-centre. This spatial distribution in homogeneous 'macro-zones' can be seen in more detail in Appendix 2.

4.2.3. Aging population or neighbourhood consolidation?

The current Santiago's peri-centre is usually associated with higher concentrations of aging population. In the public discourse, this is seen as a sign of urban decay especially when this happen in former industrial neighbourhoods, self-help built or state-built *poblaciones*. It has also already been observed in sub-section 4.2.1 that younger families with children leave the peri-centre and their aging kinsmen to move to peripheral locations (some eventually return, however).

Yet, when analysed at census district level, the situation becomes less clear. Figure 4.4-A shows how aging population does not concentrate in the whole peri-central area but paradoxically it agglomerates intensively in certain districts, precisely those under recent and intense processes of urban renewal, like Recoleta and visibly San Miguel[6]. Furthermore, in the last decade, relatively aging and affluent people have tended to concentrate in the most traditional neighbourhoods of the eastern well-off *Barrio Alto*.

The districts in PAC *comuna*, although not among the 'youngest' in the metropolis, surprisingly show much younger average composition than most of the rest in the metropolis. The same happens in Cerrillos, San Joaquín and especially Lo Espejo. The cause of this relatively younger-than-expected average population might be again the higher number of young *allegados* households with children, that remain or return to the peri-centre. But even if there were relatively more aging population in peri-central neighbourhoods like PAC's, this concentration would not necessarily imply decay. When considered together with the concentration of properties where loans have been fully repaid (Figure 4.4-B) and the rate of local residents born in the same *comuna* (shares of native population, Figure 4.4-C), they might be showing altogether higher levels of consolidation of many of those neighbourhoods. This is a relevant point that deserves deeper analysis.

Districts with high share of residents that have fully repaid their housing loans are clearly visible in PAC and Lo Espejo *comunas*, as well as in important parts of Recoleta, Independencia, Renca, Quinta Normal, Estación Central and San Joaquín *comunas*, all of them peri-central. As Figure 4.4-C shows, shares of native population currently living in the same *comuna* are also higher in the western half of PAC, seen in Figure 4.5 (essentially the lowest-income) and the entire Lo Espejo *comuna*, and again, Recoleta, Independencia, Renca, Estación Central, and the south of Santiago-Centre *comuna*. All of them reaching similarly more than 40% of native residents by the year 2002. In stark contrast, many peripheral districts and a broad area of Santiago-Centre present the lowest levels of native population, and higher concentrations of population still in debt (Figure 4.4-B), because these areas host more recently built accommodation.

[6] Although this research does not aim at explaining this phenomenon, a possible cause is given by Arriagada *et al.* (2007), who note the high number of aging, single households who buy new units inside the Urban Renewal Subsidy Area (URSA).

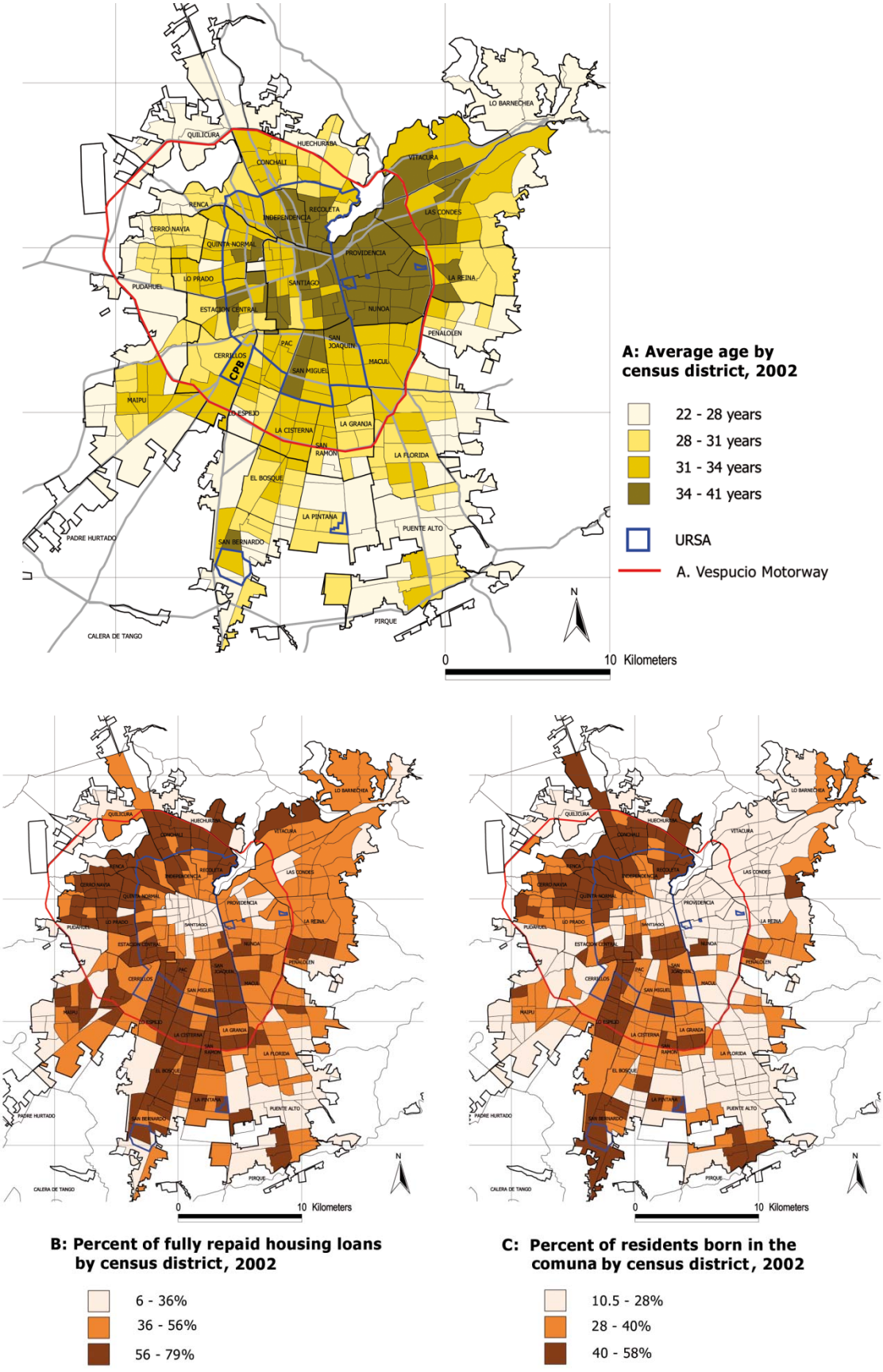


Figure 4.4. Three factors of urban consolidation, 2002

Source: own elaboration based on census data (INE, 2002)

Figure 4.5. Street market in western PAC

Source: photography taken by the author

These data reveal that the peri-centre might be more about high levels of urban and social consolidation – based on consolidated landed property and longer times of coexistence among residents – and less about urban decay. In fact, direct fieldwork observation confirmed this is more than a plausible hypothesis. All of the 16 residents interviewed from PAC (basically neighbourhood representatives) declared not being in-debt, all of them were born in the *comuna* (or have lived there practically all their lives) and knew each other (even residing relatively far away from the rest). This is clearly not a representative sample, but serves to give credence to the statistical observations above.

4.2.4. Peri-central decay: between the real fact and the blighting discourse

Nonetheless, many peri-central areas do combine high levels of physical decay with social symptoms of deprivation, generally high indices of drug dealing, burglary and domestic violence, as profusely informed by the Chilean media every now and then[7]. As

[7] Although this is not statistically significant, instead of quoting media articles, I would recommend a search in www.google.com using the following keywords: *Santiago, Chile, delincuencia, droga, Pedro*

the analysis below shows, these factors, among others, have largely justified the central-state policies of peri-central revitalisation and large urban projects and municipal strategies of local urban renewal. Informants from the Ministry of Housing and Planning (MINVU) and other central government bodies generally regard the peri-centre as a decayed space with lowered quality of life, with deficient conditions of housing and infrastructural development. Eduardo Bresciani, Head of MINVU Urban Policy Division defines peri-centre as

> damaged areas, where poverty is concentrated, where there is no prospect of development. […] Today they have no chance: their dynamics are neither the periphery of the highways, the malls, the housing [production], nor the dynamic of the metropolitan centre which is active, always accessible. And obviously they are not the centre-east [macro-zone]. Therefore [the peri-centre] is a ring […] of deterioration in employment, in terms of urban development, infrastructure, in social terms, social conflicts, crime, demographic aspects. Loss of population, ageing but also impoverishment. Lack of employment, lack of services, everything. So there the commercial activities do not come, the Urban Renewal does not happen, or it has occurred very slowly. The only alternative to this of people is moving out, but towards the fringes. (Interviewed on 12 April 2007)

This diagnosis might be suitable for many peri-central areas in deteriorating social and physical condition, or for abandoned industrial zones. With nuances, this diagnosis is shared by 12 of 15 governmental informants interviewed. Sergio Galilea, CEO of *Ciudad-Parque Bicentenario* project[8] refers more specifically to the corridor between PAC and Cerrillos *comunas*, which is precisely the limit between *Ciudad-Parque Bicentenario* (CPB)[9] project and its eastern neighbouring areas:

> [If] you travel by *General Velázquez* Motorway that has all these poblaciones aside[10] … you find that everything is basically the same. This is an area of Santiago where nothing has happened. But nothing has happened in this city where a lot has happened! For better, for worse, for more or less… but a lot has happened. (Interviewed on 10 April 2007)

Aguirre Cerda. The number of crime reports referring to the peri-centre, not only PAC, is astoundingly high.

[8] No longer in charge since 2008.

[9] Analysed in section 4.4.

[10] He is referring to La Victoria and José María Caro *poblaciones*.

Figure 4.6. Spatial analysis of urban decay in the peri-centre

Source: own elaboration based on census data INE (2002) and SEREX (2006)[11]

However, the peri-centre not only contains deprivation but also, as it has been observed in CHAPTER 3, several vital communities and rich everyday life attached to local neighbourhoods. Although cases of decay and deprivation do happen in the peri-centre (as complex phenomena with several implications for development policies), they are not homogenously distributed but concentrated in very specific areas. In short, some peri-central neighbourhoods do much better than others. As an example, Figure 4.6 illustrates a spatial analysis which shows an index of urban decay constructed from the following factors: 1) rates of population losses, 2) average age of resident population, 3) deteriorating land uses (dilapidated or abandoned industrial sites) and 4) residential overcrowding (number of households per dwelling), for every census district. Although

[11] Brown areas show concentration of physical decay. Arc View - Spatial Analyst module was used for the analysis. Search radius: 1 km. Density Analysis Type: Kernel.

these four factors are far from covering the extended gamut of variables involved in neighbourhood decay, they give an indication of deprivation and also are amongst the usually most referred factors of urban decay in the inner city.

Figure 4.6 shows that decay concentrates in the borders of the central *comuna*, in some spots with more intensity in its southern and western quarters[12], where large scale derelict industrial sites (usually sub-utilised as warehouses or parking lots) are concentrated, although with smaller-scale industrial production still operating. In Santiago-Centre, Quinta Normal, Recoleta and Independencia *comunas* there are up to 20% of dilapidated and overcrowded dwellings. Similarly but with less intensity, urban decay is concentrated in San Joaquin's formerly industrial space and Maipú. With lesser intensity, *comunas* like Conchalí, Cerrillos and Macul reflect some levels of urban decay in specific dilapidated areas.

On the other hand, in much of PAC, Cerrillos, San Miguel and Estación Central *comunas*, let alone Lo Espejo, La Cisterna, San Ramón and La Granja, there are not visible areas of concentrated decay, even though these are spaces densely inhabited, with very fragmented properties and small and multi-occupied dwellings, plus the structural incapacity of these dwellings to house extended households (see analysis of the causes of this are seen in CHAPTER 7). When confronted with this evidence in an interview, MINVU minister's advisor Camilo Arriagada accepted the limitations of the official discourse, reaffirming the need for more detailed analysis in the peri-centre:

> Indeed, many [peri-central residents] come back to live with their relatives, because many [good] things happen there. It is true that for analysing the reality [of the peri-centre] there are actually things that are not being observed. It would be interesting to [establish] a micro sociology of these spaces, to reflect that they do exist, and that there are more than structural processes occurring there. […In term of the deficiencies of the current policy for keeping population in the peri-centre] these sectors have an internal reality of subdivision, a reality of urban market, a demographic reality, that make them inoperable by the state and yet inoperable by the market. And to some extent, the vision from the public policy is also a bit short-sighted. If you see the consultancy developed for Santiago's Inner Ring[13] [project], you see a diagnosis of opportunities for urban

[12] This was also observed by Bähr & Riesco (1981); see CHAPTER 2.

[13] MINVU (2003). See also analysis below.

> connectivity, for centrality, for public space, but you can't read something absolutely evident, which is [the question of what is going to happen with] the 80% of homeowners living there. And then you have the 9x18 [metres] plots. […] This is rarely included by the urban policy analysis, the academia or the property development sector. The team from MINVU that worked in the Inner Ring project developed the issue of urban space, but did not envisage the chances of retaining population or re-location of dwellings. (Interviewed on 16 April 2007)

Mr. Arriagada reveals two points. First, in many ways, broad areas of Santiago's inner city are not really advanced in terms of decay; instead, they might still be in a relatively good physical and social condition. The peri-centre seems to be a complex phenomenon, where real and 'policy-imagined' problems might be coexisting. A description by Ward (2001: 4) about the good and bad conditions coexisting in the archetypical Latin American inner city is perfectly suitable for describing these areas of Santiago:

> [a]ll urban services are installed, streets are paved, dwellings are brick built and 'consolidated' to differing degrees forming a highly heterogeneous mix of housing levels, styles and living arrangements. Tenure patterns are similarly mixed: original later arrival owner-occupiers, renters, 'sharers' (usually close kinsmen); land uses are mixed comprising residential, smaller scale commercial and services enterprises; public and private utilities and spaces, etc.

The revealed second point is even more policy-related, and this is connected with the evident mismatch between the concentration of urban decay, shown in Figure 4.6, and the concentration of new units built with urban renewal subsidy, shown in Figure 4.9 below. Both phenomena, decay and renewal, seem spatially disconnected. Thus a question arises: has the public policy for inner city revitalisation really tackled the most decayed peri-central areas and/or the spaces with more needs? As seen below and in CHAPTER 5, the urban renewal policy has succeeded only in the areas of widest rent gap, but not in the zones where possibly more urgent regeneration is needed.

4.3. Santiago's strategy of central and peri-central urban renewal

As response to Santiago's allegedly widespread central and peri-central urban deterioration, since 1990 the Chilean state set up a strategy for urban renewal. Five

years before, CORDESAN, a municipal-private entrepreneurial corporation had been created and this would successfully usher the urban renewal market in Santiago-Centre *comuna*. However, in 1991 a subsidy of urban renewal came from the central government seeking to expand this embryonic market toward nine peri-central *comunas*. Since then, this approach has generated uneven results in Santiago. This section examines the main stages of the public strategy of urban renewal, its institutional actors, planning instruments, and the main market and demographic outcomes produced.

4.3.1. The Santiago-Centre municipal scheme: an example to follow, from 1985 onwards

The present strategy of peri-central urban and demographic recovery was first launched by Santiago-Centre municipality[14] involving the creation of the public-private Corporation for Development of Santiago (*Corporación para el Desarrollo de Santiago*, CORDESAN) in 1985. This was a relatively unique case in Latin America of concentration of sectoral state powers in one institution at local level (Luque and Smith, 2007). This institution would succeed at implementing a first model for renovation through two highly subsidised new-build residential projects, targeted for middle-low-income households in some relatively decayed neighbourhoods of the core. With the years, CORDESAN would be empowered with additional several legal attributions, also elaborating from 1990 onwards a complex strategic plan of reinvigoration of the image of the *comuna* as an emerging global centre, a friendly place for international market functions. As seen in CHAPTER 2, The role of the Ibero-American Centre for Strategic Urban Development (CIDEU) as strategic partner and technical consultant of the municipality was vital (Steinberg, 2001). At any rate, the success of Santiago-Centre in its own programme of renewal would be a landmark to imitate in future operations in peri-central *comunas* like San Miguel, Quinta Normal, Recoleta and in general those that more recently have attracted successfully property investment to their areas (Devia, 2003). Initial CORDESAN's aims were very straightforward:

[14] In terms of its budget and financial stability, this municipality is the most powerful in the country. Its annual budget is around US $ 110 millions.

a) Organising, promoting, planning, coordinating and executing projects for the local urban, economic and social development, through actions of design, remodelling, renewal, rehabilitation, reconstruction, building, greening, and reducing the pollution, prevention of urban deterioration and architectural heritage conservation in Santiago-Centre *comuna*.

b) Elaborating studies, research and experimental plans aimed at boosting the *comuna*'s development.

c) Linking developers, financiers and the municipality, evaluating the actions developed.

d) Financing and giving technical consultancy to other institutions for research in urban renewal topics.

CORDESAN defined a strategic plan for Santiago-Centre's urban and demographic recovery, considering three main actions: first, to lobby the central government[15] for friendlier building regulations to the renewal via transforming the National Law of Planning and Construction (LGUC) and a previous special subsidy (that would lead in few years to the implementation of the URS); second, to gather possible buyers of the new units, landlords interested in selling plots, and possible interested developers; third, to develop a friendly business environment in Santiago-Centre via local- and central-state investments in improving local infrastructure. After an initial stage (1992-1994), an adjustment phase (1995-1996) that implied considerably relaxing the building regulations contained in Santiago-Centre Master Plan, and a phase of consolidation (1997 onwards), the renewal of Santiago-Centre can be considered as a highly successful case of high density redevelopment (Valenzuela, 2003). Thenceforth, between 1990 and 2000, Santiago-Centre municipality increased ten times its share in the construction of new housing in the metropolis, jumping from a 1.1% of the units and

[15] In 1987, this institution published a very convincing study to prove that the cost of allocating a single new resident in the periphery (considering new networks, amenities and roads to provide) ascended to nearly US $ 6,500, whilst the cost of allocating the same person in the centre was barely above US $ 360 (Valenzuela, 2003).

1.16% square metres built in the Greater Santiago in 1989, to 13.8% of the units and 11% of the square metres offered in the metropolis in 2001 (Rojas, 2004).

In 1998 CORDESAN started to lose its leading role in the process of renewal because the market had been already launched. Yet the corporation keeps up to now its original institutional composition, gathering a broad array of private and public institutions' representatives, being chaired by Santiago-Centre mayor and composed by four of the largest national banks, three NGOs, five public and private universities, three private public services suppliers, five union associations (including the National Association of Building Firms) and two housing cooperatives (Valenzuela, 2003).

At any rate, the relatively high presence of private firms' representatives in the corporation makes explicit its entrepreneurial goals. From the beginning, CORDESAN gave high priority to a little regulated local property market as an indisputable condition for boosting the so far timid activity of urban renewal. But also CORDESAN's experience had a multiplier effect. Not only the subsidised market of urban renewal trickled down to several neighbouring *comunas*, but also its entrepreneurial logic – i.e. municipal-private type of management, relative freedom of action in terms of redefining its own goals, and its high capacity for lobbying the central and regional offices of MINVU for *ad hoc* urban regulations and subsidies – have been emulated (some interviewees even claimed 'copycatted') by almost every peri-central municipal apparatus, with uneven results though (Devia, 2003).

However, if from the beginning the internal composition of CORDESAN covered a broad array of institutions, it did not include as members any citizen representative. Despite the fact that Santiago-Centre municipality and CORDESAN had launched three citizen 'municipal conventions' (Valenzuela, 2003) seeking to gather local people's impressions about the process (with some effectiveness at regulating *ex-post* some imperfect local guidelines in certain over-dense districts) some researchers have estimated that the quality of the participation in the whole process of new-build redevelopment has been rather poor. Regulatory changes for protecting environmentally or architecturally valuable areas were done only after long periods of destructive renewal had taken place (Ibid)

At any rate, what CORDESAN's experience made clear is that Santiago's model of urban renewal could not have been accomplished without municipal active intervention in underpinning the market (let alone central-state supply of subsidies for the purchase of new units). Levels of citizen participation had been limited to stages of consultation only, but there has not been active residents participation in the management of the programme. This idea seems also to have been learnt well by the peri-central municipalities like PAC, as will be seen in CHAPTER 6.

4.3.2. Central-state response: the Urban Renewal Subsidy (URS), 1991-onwards

In 1987 the military Junta passed the 'Urban Renewal' Law[16] (Gobierno de Chile, 1987). For the first time in history, a law targeted a number of decayed urban areas within Greater Santiago's inner city to be renovated, rehabilitated or remodelled. In total, around 3,550 hectares were zoned (about 8% of the consolidated space of Santiago metropolis), spread especially in the western and centre-southern quarters of the *comuna* (Hildalgo and Zunino, 1992). This law not only circumscribed a central and peri-central space to renovate, but also fixed from 15 to 20 years the tax appraisal value of the properties within the area. In cases of subdivision, the land tax to pay would be split among the number of new properties created. In appearance, this was enough incentive for boosting a market-led redeveloping activity but in reality this failed to happen.

Therefore only one year later, an additional Urban Renewal Subsidy (URS) was legally created[17]. In 1991, this new instrument started to operate in the abovementioned areas. The URS was aimed at indirectly underpinning a private market of high density, new-build renewal. The core instrument was a direct, non-refundable subsidy granted by the Housing and Development Service (SERVIU) to individual or collective applicants to help them to finance the purchase or construction of a new 'affordable dwelling' (i.e. with a built area of under 140 m^2). This subsidy aimed and still aims at complementing

[16] Law N° 18,595.

[17] Through Decree N° 95, included as Title 3 in the regulations of the General Unified Subsidy System (SD N° 44, 1988).

individual applicants' purchasing power for two types of dwellings: those priced up to 1,000 UF[18] and those up to 2,000 UF, with either minimum required previous savings of 100 UF and 200 UF respectively (Arriagada *et al.*, 2007).

The URS was initially applied only in specific central and peri-central zones, but soon it started to be applied in other 9 peri-central *comunas* as requested by those municipalities to the regional office of the Ministry of Housing and Planning (MINVU)[19]. From the central state perspective, the goal was to capture a relevant part of the synergic property development being concentrated in the periphery, around 100,000 units per year, in the 1990s (Rojas, 2004). Hence a broad Urban Renewal Subsidy Area (URSA) was integrated to the Santiago Metropolitan Plan of 1994, including entirely Santiago-Centre and partially Independencia, Renca, Recoleta, San Joaquín, San Miguel, Pedro Aguirre Cerda, Cerrillos y Estación Central *comunas*. Later in 1999 URSA expanded to fully cover San Miguel, and in the following years some more peripheral zones were added in San Bernardo, Talagante, Melipilla, Buin y Colina *comunas* (Contreras, 2005). By 2005, the central URSA alone covered nearly 8,620 hectares, including the recently added area of the former Cerrillos airport, the future *Ciudad-Parque Bicentenario*, as will be analysed in section 4.4. Nevertheless, if the URS has been effective at invigorating the property market in some inner city areas, its impact in terms of demographic recovery has been considerably more modest.

4.3.3. Urban and demographic effects of the URS in the peri-centre

At an overall scale, this policy has been less effective at repopulating within the URSA than MINVU expected during the initial years of the subsidy. Between 1992 and 2002, the ten *comunas* covered by the URSA experienced depopulation at an average of -9.1%, while the 34 metropolitan *comunas* of Santiago increased their populations at an

[18] The *Unidad de Fomento* (UF) is a unit of account automatically adjusted to inflation. By 2009, it corresponds to US$ 37.5. See Appendix 1-Glossary.

[19] URSA enlargements requested by municipalities can be approved by MINVU based on the following information provided: photographs of the areas and a cadastral plan considering land use, quality of the edification, population, open spaces and road structure. Zones added to URSA are usually delimited by major road axes (Contreras, 2005).

average of 13.7%, and the five fastest growing peripheral *comunas* saw an average increase of 51.4% (INE, 1992, 2002).

There may be four possible reasons for this. First, it can be observed that the power of demographic recovery associated with the URS has been limited only to the most fashionable central and peri-central neighbourhoods. For instance, as observed in sub-section 4.2.1, the 13 most renovated districts of Santiago-Centre municipality (from a total of 29) show population increases between 1992 and 2002, at an average rate of 6.7%, half the metropolitan average. Second, as Rodriguez (2007) claims, many of those in-movers actually come from the same municipality and thus do not represent real repopulation. Third, the subsidy attracts a series of related uses (e.g. workshops, offices, logistic centres, educational centres, parking lots, etc; see Rojas, 2004) that occupy space but reduce the rate of repopulation in the renewing are.

Fourth, the fixed 200 UF bonus per unit propels developers to produce mainly small units (currently as small as 20 m^2 studio-flats) that attract only small households, which also tend to leave these flats as soon as their households expand. There has also been a general reduction of the average size of Chilean households that might impact in the families coming to live in the centre and peri-centre. Within the URSA, single-people households increased from 27,000 in 1992 (12% of the total *comuna* population) to 41,000 in 2002 (19%), whilst nuclear families decreased from 94,000 to 74,000 during the same period (INE, 1992, 2002).

But the design of the URS programme had much to do with the reduction, especially when the form of selection of the beneficiaries is considered. Prioritised households are generally those with higher saving capacity (better ranked). And households with higher purchasing power are usually those with fewer children. As a result, the new residents attracted by URS are usually middle-class young professionals, single- or few-members-families with cultural attraction for a modern urban image, workers who appreciate the METRO as a source of connectivity and work in the service sector, and increasingly private university students[20]. The common denominator of these actors is

[20] Since 2000, local urban regulations in *República* neighbourhood in Santiago-Centre have been radically rezoned according to a private-public entrepreneurial plan, which aimed at concentrating several emerging private universities in the area whilst developing new-build affordable dwellings specifically

that they create a housing demand of lower demographic density. But although the URS has failed to attract high numbers to the core, the policy might have helped to restrict the speed of the peripheral sprawl in Santiago from the 1990s onwards, as Arriagada *et al.* claim (2007).

Within URSA, unit average prices rose up to a peak of around 1,300 UF in 2005[21]. According to MINVU, this is due to both land appreciation and the growing sophistication of the products delivered. In general, price increases have been more dynamic in the peri-centre than the central area. Inversely, the average size of the built area was gradually reduced to a current 65 m^2 per unit. Both factors also contribute to the concentration of smaller households within URSA. However, currently built blocks are comparatively higher and denser than the average in Santiago. Most provide underground parking lots, entrance hall and administration services, and they are not too dissimilar in quality to luxury apartment blocks in the affluent *Barrio Alto*. Although sizes of the flats are comparatively smaller than similar products in more affluent *comunas*, aspects of interior design and shared facilities, security and vigilance, accessibility and cultural environment are factors usually used as attractors for relatively affluent residents (Ibid).

4.3.4. The URS and the property market in the peri-centre

The URS is practically the only instrument in the Chilean housing policy defined from a spatial perspective of locating housing stock inside a delimited urban area. Subsidised urban units prices range here from 800 UF – double the price of an average social dwelling – up to 2000 UF (Sugranyes, 2006). URS ranking system of application is similar to the Chilean unified subsidy system, with the sole difference, as mentioned above, that an applicant's shorter saving time improves his/her ranking. However, shorter times of saving are generally associated to better-off households, so both unit

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oriented to middle-class students (Arribas and Manzi, 2005; Munizaga, 2005). This topic might lead to further research in 'studentification', in the way defined by Darren Smith (2005a).

[21] By the same year, similar units were priced at around 2,600 UF in Providencia *comuna* and 2,980 UF in Las Condes (Portal Inmobiliario, 2005a, b).

prices and saving time clearly represent a class difference between URS and the rest of the subsidised housing products in Santiago.

According to MINVU's analysts, the effects of URS on the urban renewal market of the city are three: first, the local markets in most (not all) the *comunas* covered by URSA have increased their sales of residential units compared to the rest of Greater Santiago Metropolitan Area (GSMA, 34 *comunas*), especially from 2002 onwards (see Table 4.1). Second, the speed of sales in these *comunas* is also higher than the metropolitan average, especially during the short periods 1995-1996 and 2004-2005. Third, it has been observed that the subsidy has also attracted non-subsidised developments, priced over 2,000 UF, into the URSA (Arriagada *et al.*, 2007).

Yet a fourth effect on the market, not discussed by these analysts, is an observed tendency to land speculation by developers. This essentially operates in two ways. First, for a long time, many plots have been acquired in advance by developers seeking to fully capitalise on the ground rent increased by the externalities generated by public investment or rezoning. In fact, the number of properties owned by developers largely exceeds the number of properties actually developed by them. The former assets are thus reserve-land waiting for future processes of market reinvigoration and PGR increase. According to Alberto Gurovich, a Chilean scholar from University of Chile who has long studied the processes of historical land accumulation in Santiago:

> You have to remember the case of Paz-Froimovich firm[22], a case which I've been studying for a while. They operate by accumulating capital, buying land plots in declined zones, whose land value has diminished. They have been storing these pieces in a portfolio during 15 years, just waiting for the moment when the conditions change. (Interviewed on 4 April 2007)

Professor Gurovich touches the speculative modus operandi based on the accumulation of land for future operations. Effectively, the model of peri-central urban development in Santiago makes perfectly possible the creation of land banks and the subsequent modification of local regulations, as a way to radically increase their building capacities. In fact, the mechanisms of expansion of urban areas in the largest Chilean cities operate in this way (Sabatini, 2000). Yet, in the case of the peri-centre, what Professor Gurovich

[22] One of the oldest and most important developers of urban renewal in Santiago-Centre *comuna.*

calls ‘portfolio’ is, in fact, simply a form of potential ground rent accumulation. From the latter point, processes of abandonment exerted by these new owners have been also evidenced in the centre and peri-centre. This is confirmed by Ana Devia, MINVU sociologist who has witnessed how the performance of these market operators expand the frontiers of the URSA.

> Around 1998, I remember when we were working in Independencia *comuna*, trying to set up there this model [similar to CORDESAN’s], we showed a plot to the owner of Paz-Froimovich. It had been a supermarket and before a factory. We showed it to him on Thursday. The following Monday this guy had bought the plot already. Then they placed all their logos in the plot’s fences, and in a few days three or four other developers came and bought sites nearby. (Interviewed on 18 May 2007)

The interviewee did not know for how long that plot in Independencia *comuna* remained undeveloped. However, the effects of the market of urban renewal in the local space of PAC were a key issue to ask local interviewees. Gloria Rodriguez, a grassroots leader from PAC, recalled the dilapidating action performed by developers take place half a kilometre away from her neighbourhood, La Victoria *población*. As she sees it, what happens in San Miguel is close to the fifth stage of ‘abandonment’ considered in Smith’s rent gap model, seen in CHAPTER 2.

> Developers have a strategy. They can buy, say, two houses. At once. And they keep them abandoned. Then the people start to see what is happening with this, they wonder why all this dump. [Developers] have done this in other places, in San Miguel for example. This is just the way they started building those huge things they produce nowadays. Thus, with that abandonment, the neighbourhood becomes a dangerous place, a brownfield area, with people selling and taking drugs, drinking. At this point, it is simpler for them to [cleanse and] build their big things. (Interviewed on 11 April 2007)

A fifth characteristic of the model of urban renewal in Santiago is the unstable nature of capital invested in these spaces, which can be observed between 1997 and 2001 during the so-called Asian Crisis that visibly contracted the national economy (see Figure 4.7). Figure 4.8 shows the impact that this contraction had in slowing down the market of urban renewal in Santiago-Centre and San Miguel *comunas*. However, the price of properties remained stable during this period. The paradox of demand decrease without

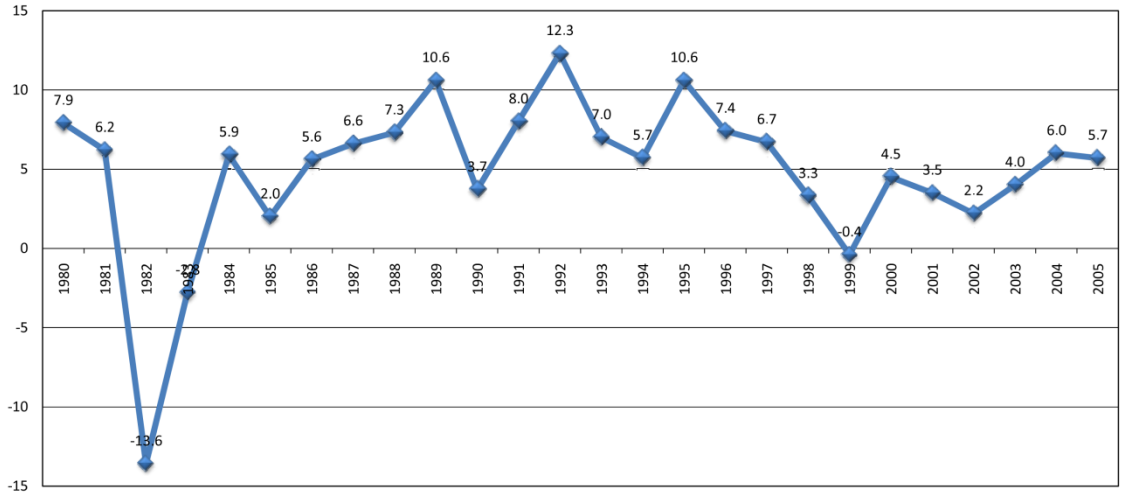

Figure 4.7. Annual change in Gross Domestic Product in Chile, 1980-2005

Source: World Economic Outlook Database (IMF, 2008)

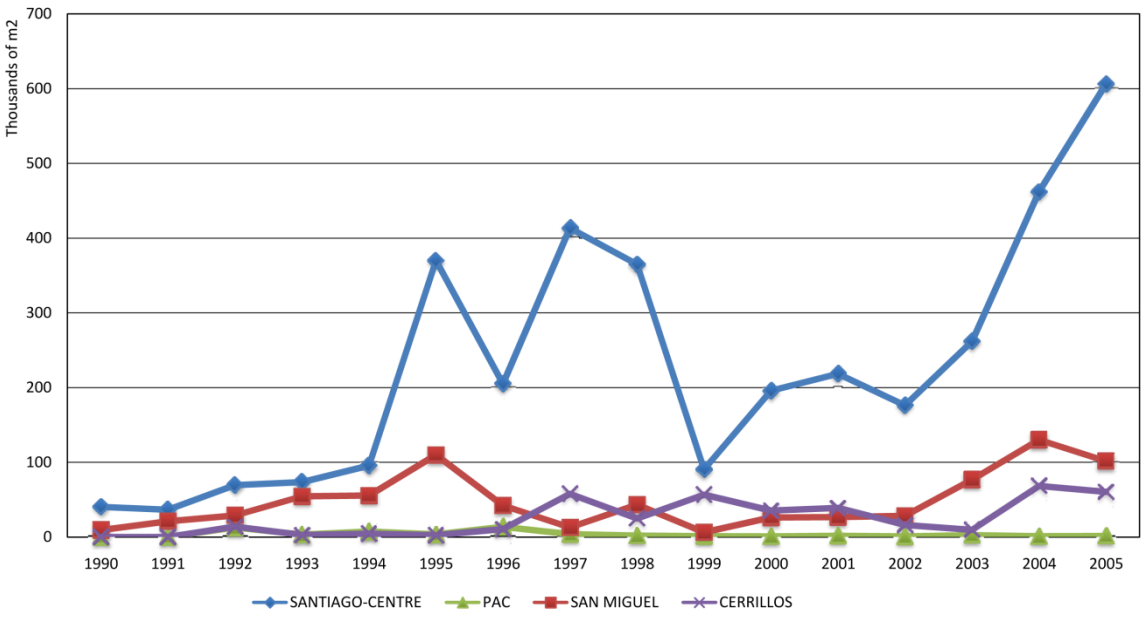

Figure 4.8. Built square metres for residential use in PAC, Santiago-Centre, San Miguel and Cerrillos, 1990-2005

Source: Observatorio Urbano (MINVU, 2008c)

price decrease can be explained by the very nature of Santiago's peri-central urban development: a semi-monopoly (of property firms) that controls land supply acting only through constrained sub-market niches.

During the five-year crisis, a possible situation could have been that – given that the demand for new properties was really shortened by generally reduced access to bank credit – more affordable apartments were sold in different peri-central areas as a way to keep the construction market working in the area. But nothing of this happened in reality. Instead, San Miguel sub-niche was almost paralysed and those capitals fled (very probably to other more secure economic sectors). The corollary seems clear: disinvestment occurs less due to lack of demand and more due to the lack of a guaranteed rate of return. The financial capital invested in peri-central renewal is highly volatile and speculative. In contrast, during the same years of crisis in neighbouring Cerrillos *comuna*, which has hosted so far mainly government-assisted social housing but not middle-class flats subsidised with URS, the variations produced along the crisis were irrelevant. Figure 4.8 partially substantiates this, showing that the production of housing in Cerrillos, initiated in 1996, would not be interrupted by the Asian crisis, unlike the previous case of San Miguel. Nevertheless, when the national and regional economies recovered around 2002, the flows of capital returned to the urban renewal of San Miguel *comuna*.

A subsequent effect of the Asian Crisis was that financial institutions withdrew support to many small scale companies operating in the area. In fact, the whole market of urban renewal in the GSMA – composed before the crisis by a wide range of large and small building companies, able to operate at a broad array of scales of production – was reduced to fewer agents, certainly those with a larger capital base, production scale and financial funding capacity. Eduardo Bresciani, Head of MINVU Urban Policy Division, explains:

> Although this is an issue we haven't studied well, I can tell you that as result of the 1998 crisis, there was a purge in the property market. What happened is that all those firms that were in reality a couple of guys working together, all died. In fact, the Association of Building Firms told us that some of their members even disappeared in those times. But what also disappeared was the whole idea that everything was possible. There was a sort of learning in regard to the fluxes of capital, and about the ebbs and flows of the property market, which are inevitable. You know there are cycles. But these fellows [in those years] thought there weren't cycles, they thought we were in China and so they believed that we would have 25 years of uninterrupted growth at a rate of 7%. Well, this is madness, though I can only say this *afterwards*. But they were emulating Singapore and other Asian countries which showed limitless periods of growth and that had not reached their

> limit so far. [So we learnt the lesson in Chile,] now we know that in the current period of growth, we have chances only until 2012 or 2011[23]. This is why many developers know that if they don't start to build *now*, the risk is high. The one who starts building in 2 years time takes the risk of stepping into the market in a much slower period. (Interviewed on 12 April 2007; emphases added)

The *survivors* grew in scale; they made themselves bigger. And they also became more cautious but more aggressive at the same time, in the production of their projects. The main lesson was that the scale of the buildings had to be as high as possible. Scale does matters in Santiago's peri-centre. The aftermath was a considerably rise in the average size of buildings built via URS, but more importantly, that up to now in URSA are operating no more than 6 large and medium-sized developers producing residential blocks of similar scale, density and architectural style. Pablo Contrucci, former CORDESAN chief executive (1990 to 1998) confirms how URS market led to the current oligopoly.

> [F]inally the biggest fishes survived. […] Yet an oligopoly has been conformed here; currently there might be six firms [operating in Santiago-Centre]. They are neither the largest nor the smallest [in the country], but they are *sui generis* entrepreneurs. Paz-Froimovich [the most emblematic developers of Santiago-Centre] are especial because, at the risk of you call me racist, they are Jewish, they don't associate with anyone but Jewish, and they have had a wonderful, brilliant talent for filling this specific niche where the traditional Chilean entrepreneur has no role to play. And they haven't let it go. Thenceforth the rest of [peri-central] developers have followed similar logic. […] I believe in diversity nonetheless. I don't think urban renewal should mean a state project, let alone [CPB] Cerrillos which is a unique case. Neither do I think Paz-Froimovich should be the only one [operating in the URS market]. The problem is that scale benefits the bigger developers, and the local guideline does it too. (Interviewed on 16 April 2007)

The regulatory implications at the end of the quotation refer to the larger benefits these firms receive from the government if new-build developments are higher and denser and the volume of the investment is bigger (this issue is core in CHAPTER 7), let alone the extremely profitable tax exemptions existing in the Chilean regulation (analysed in sub-

[23] Mr. Bresciani could have been foreseeing a too tardy capitalist global crisis. The current global recession have reached the Chilean economy and many of the largest real estate projects in Santiago have been stopped. In 2008, sales of new properties in Santiago-Centre were reduced to a 50% (Kouyoumdjian, 2008). By 2009, the rate of unemployment in Santiago is above 10%. CPB project is still running though.

section 3.7.3, page 134). And this oligopoly has the effect that the market depends greatly on these few operators' criteria.

In general, the Chilean building regulations and Santiago's peri-central local master plans create a highly unequal situation with zones of high density development (allowed by national and local regulations) and zones of little or even no development (restricted by different tighter local codes). In fact, the National Law of Planning and Construction (LGUC) allows increments up to 50% of the Plot Area Ratio if several plots are transformed into a larger one (CHAPTER 5 addresses again this point). Therefore it can be argued that the more permissive the norm is with developments on larger sites, the larger would be the scale of developers that will operate there, leading in consequence to a smaller number of developers with enough capacity of undertaking the risks of these operations. The connection between local regulation and the oligopolic characteristic of the URS is crucial, and this is further analysed in CHAPTER 7.

The chain comprised from the purchase of land, plot merge (a process which is important for amplifying the scale of the new building because of the *setback* regulation and the abovementioned 50% extra Plot Area Ratio given for site-enlargement), construction, marketing, application to the subsidy and sales, is absorbed by these operators. Rent gap closures within URSA are in fact controlled by a limited group of agents. Past CEO of CORDESAN, Pablo Contrucci gives further evidence about the regulatory mechanism that underpins this oligopoly:

> This [model] is in favour of the big projects. Absolutely. One big project is much more profitable than two small ones. This is because in Chile, the public sector has historically fought against plot subdivisions. Municipalities see them as something negative and irrecoverable. It is easy to subdivide, but it is harder to sum up. In fact, you [as a developer] pay taxes when making a subdivision but not when merging plots. Thus there is a tendency in this system to search for not reducing plots. Therefore all the *comunas* try to improve their social status through manipulating the minimum plot size in their master plans.
>
> *EL: But this is a mechanism of expulsion…*
>
> Absolutely, absolutely… It has always been so. But a paradox occurs. Whilst the biggest plots are promoted, the market produces units increasingly smaller. The only thing is that social housing is not permitted, but the average socio-economic level decreases anyway

> within URSA. [Thus the system] does not achieve the political objective promoted by the municipalities, which is to maintain [or increase] the social standard of their population. (Interviewed on14 April 2007)

This highly experienced technician accepts that the oligopolic urban renewal market of Santiago has tended to considerably reduce the built area of the units produced but he does not explain why. My explanation to this is a probable structural feature of the private housing market in this city, which can be explained as follows.

Unit sizes are reduced as a way to keep the rate of profit relatively stable without increasing unit prices. Developers claim this is the effect of the increased land values in the peri-centre. However, the analysis of land prices to be seen in CHAPTER 5 shows that, with the sole exception of Pedro Aguirre Cerda *comuna*, it has been largely the subsidy of urban renewal applied from 1990 which has triggered a general increase in the land value of the peri-centre. In addition, it has already been observed the way these operators accumulate peri-central land beforehand the land appreciates.

In a nutshell, although the public subsidy for urban renewal remains fixed at 200 UF per unit, the built area of the units tends to decrease whilst their prices remain stable. It seems clear the subsidy of urban renewal has tended to be accumulated by this small number of developers operating within the space of URSA.

4.3.5. Roles of local planning and municipal management in the model

Although central URSA currently covers around 8,500 hectares, only some specific zones within have been redeveloped. Moreover, the disparity of results between the *comunas* of the core and the peri-centre is still high. Table 4.1 shows precisely how the metropolitan core leads by far the rest of nine *comunas* with URS in terms of number of units allocated. By 2005, whilst Santiago-Centre concentrates almost 77% of the units built, its closer competitor (San Miguel) did only a mere 6.5 %. In general, only a minor part of the space covered by URSA had been redeveloped, and it clearly seems there is still much land for renew.

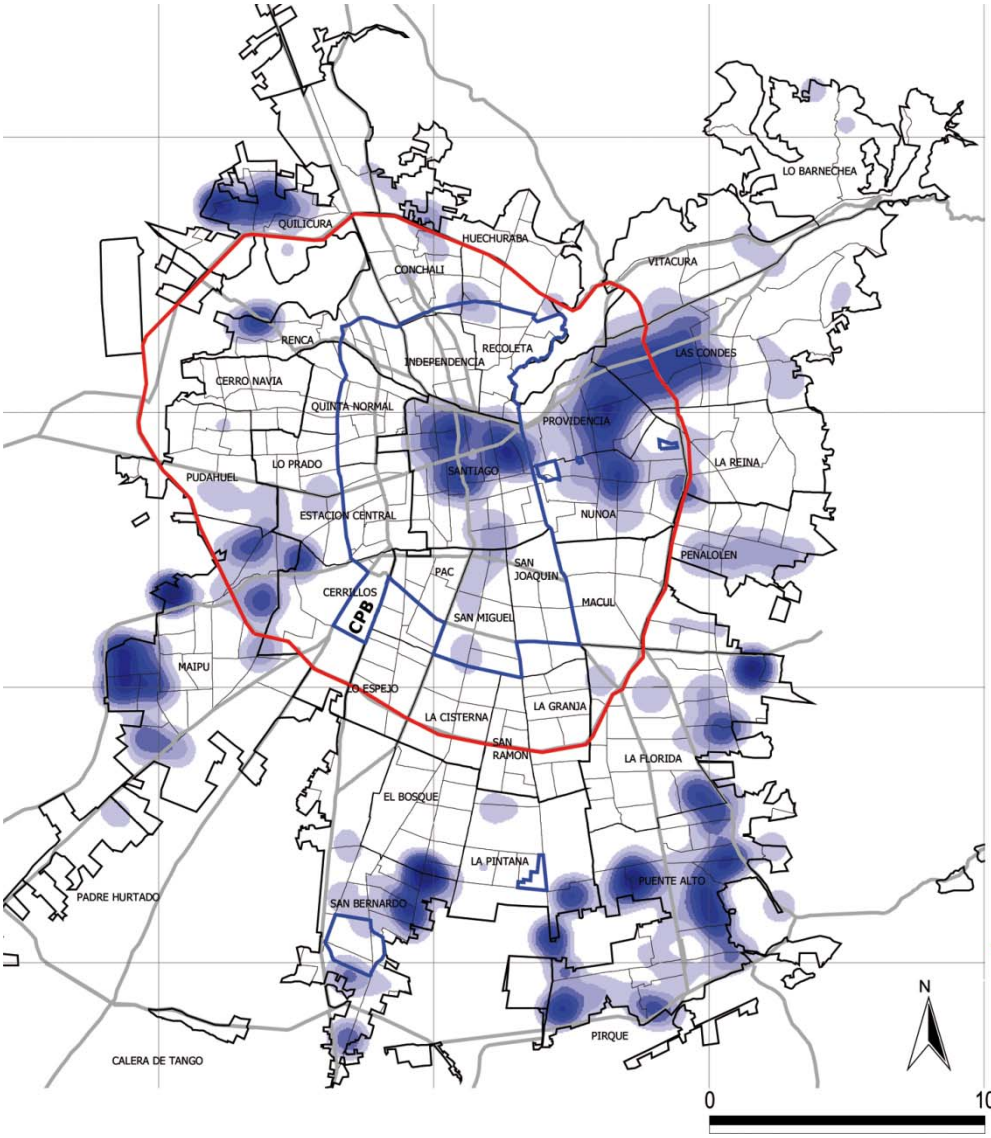

Figure 4.9. Density analysis of residential units built between 1991 and 2001

Source: Own elaboration based on SEREX (2006)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	TOTAL	%
SANTIAGO-CENTRE	1,087	2,790	3,527	1,599	2,186	1,198	1,449	1,746	3,408	5,551	8,330	32,871	76.51
SAN MIGUEL	284	371	152	40	70	66	97	246	441	478	554	2,799	6.52
QUINTA NORMAL	7	202	131	133	33	137	124	317	412	211	469	2,176	5.06
RECOLETA	1	21	27	12	112	178	95	165	215	600	702	2,128	4.95
INDEPENDENCIA	23	198	18	79	4	0	0	136	80	382	556	1,476	3.44
ESTACIÓN CENTRAL	80	92	102	98	46	46	34	186	217	88	61	1,050	2.44
SAN JOAQUÍN	22	28	98	3	4	8	10	3	7	4	96	283	0.66
PAC	0	41	0	18	76	40	4	0	0	0	0	179	0.42
TOTAL	1,504	3,743	4,055	1,982	2,531	1,673	1,813	2,799	4,780	7,314	10,768	42,962	100

Table 4.1. New units sold at 2,000 UF or below per municipality (1995-2005)

Source: Arriagada *et al.* (2007: 33)

The same can be seen in the density analysis[24] of Figure 4.9. There are three highly renovated neighbourhoods of Santiago-Centre plus a visible 'arm' towards the Southern El Llano in San Miguel, along the *Gran Avenida* Avenue. These four concentrations emerge for the comparatively better advantages offered by these areas[25]. Since the graph in Figure 4.9 is only based on data until 2001, the more recently emerging Quinta Normal, Recoleta, Independencia and Estación Central *comunas* are not well visible yet, though their more recent increases can be seen in Table 4.1. However, the figure provides enough evidence to show how the urban renewal market has concentrated in the 'trendiest' historical areas, usually the best consolidated and with best amenities in the metropolis[26], but not in the areas of more decay shown in Figure 4.6.

The reason for this uneven development is the strategy of allowing the market inside URSA to 'decide' the best locations in areas generally with already existing infrastructure and services, most of it built by the state long ago. Yet these locations do not necessarily coincide with the requirements of a *comuna* in terms of its social-economic needs of development. This can be noted by comparing density analyses of urban decay and new developments, in Figures 4.5 and 4.8 respectively. Neither can this model of localisation foresee potential urban impacts that might impede or ease further urban redevelopment. In short, the urban renewal market barely internalises its created externalities (Arriagada *et al.*, 2007).

The latter point is crucially linked with the relation of URS with the local planning regulations. Local master plans became strategic devices at the time of coordinating the

[24] An index of density considers number of units built (building x storeys) during the period, processed using Spatial Analyst module, cell size: 50 m, search radius: 1 km. Density Analysis Type: Kernel. Buildings within URSA should be considered almost exclusively built using Urban Renewal Subsidy. In contrast, the periphery (excluding the eastern *Barrio Alto*) concentrates the rest of existing state housing subsidies.

[25] In these specific zones the URS has been openly successful because of prior existing conditions: a) excellent connectivity, b) educational centres nearby, c) already established residential environments, d) amenities, infrastructure and commercial centres, e) identity of rising middle-class attached to the neighbourhood (Arriagada *et al.*, 2007).

[26] Conversely, the market has 'decided' where not to develop new projects. Usual causes for this are: a) critic social conditions (slummy areas), b) dynamic but non-residential areas, c) highly fragmented sites (and property schemes) that difficult potential plot merges. Also, traditional *poblaciones* produced by previous state social housing programmes like CORVI or CORMU, or via land squatter, represent locations less preferable by URS developers (Arriagada *et al.*, 2007).

localisation and intensity of the developments. These planning instruments shape and target sub-units or relatively homogenous neighbourhoods, and they serve to protect, empower and regulate the developmental processes triggered by the URS (Ibid).

Since 1990, practically all local governments within URSA, with technical support from the Ministry of Housing and Planning (MINVU), have attempted to redraft their local urban guidelines seeking to incrementing the potential ground rent implicit in those regulations and so attract (or intensify already existing) urban renewal into their territories (MINVU, 2008a). In San Miguel *comuna*, a new Master Plan started to operate in 1988 (Municipalidad de San Miguel, 2005) and then experienced several reforms along the years. This helped to set up a good context for renewal, similarly to Santiago-Centre's Master Plan, which between 1989 and 2006 received 29 amendments (Contreras, 2005). More recent cases of this are San Miguel and Recoleta *comunas*, which have experienced similarly deep processes of rezoning in order to enable the URS to operate.

But it would be in 1993 when the most radical changes were implemented in Santiago-Centre. The local urban guidelines from then on would restrict land uses such as warehouses and minor industrial enclaves[27] to be placed only in sites larger than 2,000 m^2. The aim of this policy, as demanded by developers and CORDESAN, should be clearly to cleanse the space for future housing operations in the zones identified as more able to host high-density renewal. Parallel changes in the local Master Plan aimed at considerably increasing the allowed height (hence the building capacity) of the new edifications, duplicating the allowed Plot Area Ratio in practically all the local zones. In zones of no more than 2- or 3-storey buildings permitted, the new allowed blocks surpassed easily 10 and in some parts 15-storey heights (Contreras, 2005).

In general, original residents complained to the municipality for the massively destructive effects in the local urban image and patrimony buildings, as well as the 'shadow-effects' produced in their properties, let alone the loss of privacy they suffered for being surrounded by high-storey blocks. Yet the municipality started to exert major control through its local regulation only after the process of intense renewal was well

[27] A fragmented concentration of small industrial sites has been a historical crucial 'problem' that existed and still exists in most of the western and southern quarters of the *comuna*.

advanced (Devia, 2003). Santiago-Centre local Master Plan was reshaped in order to reduce the allowed heights in certain sub-zones of the *comuna*. In 1996, in a broad residential zones, the height of street façades was reduced to 9 metres (volumes behind could be up to 20 metres height). In 1999, this guideline was changed again to 12 metres.

Nevertheless, wherever Santiago-Centre municipality tightened the norm in a zone, it amplified the allowed Plot Area Ratio in others. What this municipality, CORDESAN and MINVU have produced is a zero-sum system within this broad zone of fixed subsidy, where any local change in a master plan produces a trickledown into neighbouring, less controlled areas. This has been a continuous tendency. Since the late 1990s, private developers have jumped from the most regulated into the less regulated areas within URSA. This trickledown has been the cause of the relatively recent expansion of the urban renewal towards adjacent Recoleta, Independencia and Quinta Normal *comunas*, also seeking to 'colonise' hitherto undeveloped areas of still wide rent gap. This fact was also accepted by former CORDESAN chair, Mr. Contrucci.

Observing this logic, PAC municipal apparatus has envisaged that the renewal activity from San Miguel might similarly step into its local territory. Therefore, this was the central motivation for its process of local Master Plan reconfiguration, conducted between 2003 and 2005, as chapters 5 and 6 will examine.

4.3.6. What makes the URS so interesting to municipalities?

Although the URS programme has not impacted positively in the demographic recovery of Santiago's inner city, it has produced other beneficial effects at local level such as: a) triggering localised scale-economies, agglomerations of amenities and commercial uses, b) increasing municipal revenues for building permits, c) increases in taxes for garbage collection and d) generally upgrading the socio-economic status of the *comunas*.

However, at any rate the URS programme does not imply increases in municipal land taxation. This comes from the particular structure of land taxation in the country, where any urban property is taxed locally but these taxes are collected by a central-state office,

the Internal Revenue Service (*Servicio de Impuestos Internos*, SII), which applies a sophisticated system of progressive taxation over differential values but that is far from constituting an efficient system of value capture, since the determination of cadastral values is relatively slow to keep the pace of land appreciation due to infrastructural improvement (Smolka and Amborski, 2003). Nonetheless, there is a national fund with a centralised redistributive scheme, the Municipal Shared Found that collects 60% of the land taxes from every *comuna* and redistributes it to the several municipalities according to specific social rankings (SUBDERE, 2008). In general, the autonomy of budget that a Chilean low-income municipality can develop is relatively low, depending considerably to the municipal shared fund, being unable to develop alternative sources of revenue.

If it is also considered that almost 80% of the properties in Chile are exempted by law DFL2 to be land-taxed (and every new dwelling built via URS is exempted), the URS and the property market created cannot be considered as potential sources of direct municipal revenue. Neither can the fixed and homogeneous Chilean system of land taxation potentially work as differential mechanism of urban regulation, creating for instance differential tax schemes in order to promote acceleration or de-acceleration of the urban renewal in targeted areas, as suggested by Arenas (2005). Thus, whilst the possible benefits that the URS programme brings to a municipality are multiple, URS do not increase its budget via land taxation of new units priced under 2,000 UF.

4.3.7. Summing up

All in all, whilst the public efforts to redevelop the centre and peri-centre since 1991 have unevenly concentrated new-build high-density redevelopments only in the areas that concentrate better amenities and denser transport networks, a parallel strategy for large scale renewal has been deployed by central MINVU from late 1990s. Probably what best epitomises this strategy is *Ciudad-Parque Bicentenario* project (CPB hereafter), “the largest initiative of urban restructuring since the foundation of Santiago” (Gobierno de Chile, No Date: 3), an intervention that would considerably generate potential effects in both PAC and Cerrillos *comunas*, two local spaces which have been

among the most excluded from the circuits of urban renewal. CPB project is discussed next.

4.4. The *Ciudad-Parque Bicentenario* (CPB) project

CPB is a 253.4 hectares project in the heart of the south western peri-centre, in the site of the former Cerrillos airport. It emerged in 2001 after a number of similar public-private initiatives for large scale urban revitalisation in the country. The best known are Ribera Norte in southern Concepción (Zunino, 2005) and the Inner Ring of Santiago[28] (MINVU, 2003), yet numbers of smaller scale projects have been running in the main Chilean cities. Unlike the relatively downgraded Santiago Inner Ring project, *Ciudad-Parque Bicentenario* (CPB) is meaningful for the potential effects it would have in the future urban development of the metropolis, and especially in the south western peri-centre. The sole existence of the project might at the long term radically transform the land valuation of its surrounding areas and will generate travels by its more than 75,000 new inhabitants from there toward other areas of the city, especially the centre and centre-east zone or *Barrio Alto*.

4.4.1. Main characteristics of the Project

According to the chief executive officer of CPB, there are eight reasons why CPB is strategic for the city, and make it an achievable and potentially successful project: 1) its centrality and accessibility, better than any other similar or smaller development in the expanding periphery of Santiago; 2) it aims at social mixing through a combination of different residential densities, typologies and prices that would shape the residential space; 3) its 75-hectares Central Park[29] open to the city[30], and a sensible use of public

[28] Initially launched in 2001 as a comprehensive intervention aimed at cleansing and renewing the so-called 'Iron Belt' of Santiago, a vast derelict industrial zone which coincides with the zone of peri-central decay identified in Figure 4.6. The Ring comprised high- and mid-density new housing, commercial uses and a number of emblematic projects, but it has recently been downgraded only to particular interventions such as the transformation of *Zanjón de la Aguada* canal into a thematic park (Allard and Rosas, 2007). See Appendix 1-Glossary for more description.

[29] By 2008, this was reduced to 50 hectares; see www.ciudadparquebicentenario.cl

spaces within CPB; 4) a considerable quota of affordable and social housing to be demanded to developers; 5) active design regulations towards greener environments; 6) a strategic public and private alliance whereby firms might be able to bid for developing the several sub-zones through residence, commercial activities and several amenities; 7) Cerrillos *municipality* and the Chilean Air Force are strategic partners; 8) around 15 thousand families should be attracted to reside in this place through the provision of subsidised housing via URS (Galilea, 2006b).

CPB and its surrounding area in the south western peri-centre can be seen in Figure 4.9. From its beginning, the project was meant to produce a relatively high (for Santiago's standards) urban density of 150 people/hectare, which results in some 15,000 dwellings with prices that ranged from 800 UF to 3,000 UF in 2005 (Asociación Portal Bicentenario, 2005) but that were reduced to a range between 600 and 2,500 UF in 2007, as an attempt to change some previous 'elitist conceptions' in the plan, as Mr. Galilea explained in an interview given to me. The targeted population was from then clearly middle and middle-low income sectors, or C2 and C3 Socio-Economic Groups (SEG).

CPB has considerable relevance at metropolitan and local level. At a macro scale, the project enlarges the URSA toward the south west and, as MINVU claims, proposes an innovative form of housing development and emerges as a symbolic element of urban reconfiguration in a hitherto decayed peri-central area (Tala, 2003a, b). At the local scale, it attempts to rethink the 'concept' of Cerrillos *comuna*, creating a hitherto inexistent metropolitan centre for the area and several additional uses of commerce, amenities, education and cultural activities, also promoting the improvement of *Camino a Melipilla* A as main north-south access to the enclave [31] (Asociación Portal Bicentenario, 2005).

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[30] Although some scholars revealed the negative effects of the elimination of this 'wind corridor' and the consequent erasure of the building restrictions to high-density building beyond CPB, for the airport's approaching zone (Romero and Vásquez, 2005). Further legal criticism has emerged for the apparent illegality in transferring a public good (the site of the airport) to the private sector for its development (Herman, 2006; Saleh, 2006)

[31] Additional accesses are: Departamental Motorway at the north, *General Velázquez* at the east, which separates CPB with PAC and Lo Espejo *comunas*, and Lo Ovalle road at the south. The latter crosses the middle of PAC to the north-east and was considered in PAC master plan rezoning as opportunity for radically increasing urban density along the axis (see Figure 5.7-B, next chapter).

Figure 4.10. *Ciudad-Parque Bicentenario* (CPB) General Master Plan with surrounding *poblaciones*

Three emblematic *poblaciones* in PAC and Lo Espejo delimit CPB to the east. Source: own elaboration based on Asociación Portal Bicentenario (2005: 8)

The public sector investment for this project is of the order of US$ 36 million with an estimated private contribution of US$ 975 million aimed at the construction of malls, facilities, educational centres, health, recreation and residence for the 75,000 newcomers. CPB implies a new model of urban management. An *ad hoc* apparatus was created independently from the state and municipal administration, seeking to: a) formulate a comprehensive project-plan and also a marketing plan; b) design a programme of buildings and infrastructure and defining adequate fiscal and regulatory instruments, and c) formulate a financing plan (cash flow)[32].

Two types of regulations operate in CPB: general national regulations and specific guidelines that also run independently to other planning instruments of the city. A complete Master Plan has been in preparation since the international competition for ideas in 2001, and several modifications have been added (including the last reduction of its central park from 75 to the current 50 hectares, in 2008).

4.4.2. Ciudad-Parque Bicentenario as generator of ground rent

In the literature, there seems to be consensus that Large Urban Projects (LUP) considerably appreciate land, yet it is by no means clear the real amount of this appreciation, the forms of its redistribution and whom they benefit, both in social and territorial terms (Biderman *et al.*, 2006; Lungo, 2002; Lungo and Smolka, 2005). Increases in land rent in surrounding borders are at the centre of the discussion. Yet at this point, Eduardo Bresciani, from MINVU's Urban Policy Division, disagrees with the view that CPB might generate automatic switches in the surrounding areas.

> [I]nsofar as CPB has available sites, it's going to be really hard that additional developments in neighbouring areas start, because those developers would feel they are competing in disadvantage, out of the hotspot, without the security and guarantees the state provides within CPB. (Interviewed on 12 April 2007)

At any rate, to predict quantitatively land price increases in the surrounding area of CPB might be currently speculative. Nevertheless, as the analysis of capitalised ground rent

[32] In managerial terms, this project is similar to London Docklands (Colenutt, 1991).

conducted in CHAPTER 5 reveals, *Ciudad-Parque Bicentenario* does generate increases in the broad southern area next to the project. Another aspect is the attempted 'social mix' that, according to CPB's chair, the project will produce. Although the CPB authority confidently claims this case of new-build 'social mixing' reduces traditional patterns of socio-spatial segregation in Santiago and is not a case of gentrification (since there are not pre-existent low-income population in the place), recent research (Davidson and Lees, 2005; Lees, 2008; Lees and Ley, 2008) observe that new-build, 'socially mixed', large scale developments like CPB subsequently generate considerable impact (land appreciation, tax increases, and a form of indirect exclusionary displacement for the place becomes unaffordable for older residents) in surrounding areas.

Lungo & Smolka (2005) not only agree with the potential gentrifying power that projects like CPB might have, but also connect this point with what was seen in CHAPTER 2, which is the need (by the state) to secure certain socio-economic environment for the development. Furthermore, they claim the public sector is incapable to make the source of this potential increased value transparent, given that public inattention emerges from the need to hide the role of public management in facilitating the private sector's capture of the land value increment in general and eventually some public resources used to develop the construction project itself. Their analysis of several cases of large urban projects reveals

> [w]hen land value increments are created, they are usually distributed in the immediate project area or nearby. This principle is based on the need to finance a specific project within the area, to offset certain negative impacts, or to implement actions such as relocating precarious housing sited on the land or its surroundings that may detract from the image of the new project. Given the socioeconomic conditions found in [most] Latin American [cities], it is not hard to see that the preferred use of the captured value is to earmark it for projects of a social nature in other parts of the city, such as housing complexes. In fact a significant part of the generated land value increment results exactly from the removal of negative externalities produced by the presence of low-income families in the area.

4.4.3. Aspects of political participation in Ciudad-Parque Bicentenario

Large urban projects generally exclude social participation in decision making about individual elements of what is expected or supposed to be part of an integrated urban project, as is normally provided for in a city's master plan or land use plan (Ibid). Zunino (2006) reveals the extent to which, in CPB, there has been high intervention by large scale private developers over the office created within MINVU's apparatus. Yet, on the other hand, this office operates autonomously from Cerrillos municipality and the local communities that inhabit the surrounding areas. Whilst on the top of CPB's hierarchical pyramid there is a Directorate presided by the *Intendente* (Head of the Regional Government of Santiago) and constituted by several ministers or their representatives, Zunino observes how all these actors accept that the project 'belongs' to MINVU. CPB is, in reality, a new form of urban planning and design with much more direct intervention from the public sphere yet bypassing many local-level attributions (Lungo, 2002), let alone a high level of exclusion regarding neighbouring municipal administrations. In the case of PAC, its Municipal Director of Construction Gilda García confirmed, in interview given to me, the low level of participation of PAC local authority in the CPB Directorate. She also criticised the lack of pedestrian connectivity between the project and PAC – something that might have been solved with more participation of PAC municipal apparatus. The lack of connectivity with PAC was actually confirmed by the CPB CEO, Mr. Galilea, and it can be seen in Figure 4.10.

In general, CPB managers have shown no significant interaction with the surrounding communities or municipalities in a meaningful way or with neighbourhood associations performing roles in the decision-making process. Almost with no exception, grassroots could only articulate their views about the project based on media reports, but also their understanding remained restricted to very general notions about the project[33]. Although Cerrillos mayor is part of the CPB directorate and there are instances of communication between municipal officers and MINVU, the municipal intervention has been identified as marginal. In open contrast, the participation by private firms in CPB directorate has been decisive for the state in order to test *ex-ante* the possible land use configuration

[33] Although during my fieldwork in 2007, CPB was a controversial issue for practically all the interviewees, including municipal officials, their levels of information about the project were usually superficial and had barely improved since 2005.

and densities to place in CPB. Opinions given by these top developers matter, and final decisions are generally transmitted based on economic rationales superimposed to other territorial or social considerations. Furthermore, in general, there has been institutional mechanisms of exclusion and 'secretism' to non-private participants (Zunino, 2006).

4.4.4. The perspective from the private sector

According to the National Association of Building Firms, the infrastructural provision placed by the state in *Ciudad-Parque Bicentenario* benefits essentially the largest scale operators in the city, only a handful of firms. Whilst small and medium scale developers advocate through the Association for public subsidisation without further public intervention, the largest scale firms seem to be clearly accepting the much more entrepreneurial role of the state and its investments in this macro scale project, that one the one hand literally drive public resources to hitherto undeveloped areas, and on the other secure the large scale private sector at any potential financial instability. When Manuel Posada, CEO of one of the largest building firms in Chile, was questioned by me about the too limited number of firms called by the MINVU to operate in CPB. Then he claimed that "just the best ones" should be included, clearly referring to those with enough financial capacity to ensure continuity to the project. Yet Alexandra Peterman, officer and consultant of the conservative National Association of Building Firms' Research Centre differs at this point:

> Cerrillos' project means the state develops a project, it defines it, it establishes how this is going to be, then it calls for bids and sell the plots, but the state has already established everything that's going to be done: the price of dwellings, the heights of the buildings. […Yet] the state should never have a role of developer. […] It should be only the regulator that puts the rules and so forth, but it's not good that it takes the risk in a project because it is going to define which types of people they want here, according to a certain [socioeconomic] group. But what would happen if nobody demands those dwellings? The state is assuming a risk which us, as society, we are all assuming. That risk must be assumed by the building firms. […]
>
> *EL: Yes but, from the perspective of the market, this project takes place in these 'awkward' zones where nothing happens, 'dodgy' areas where developers do not operate. Población La Victoria is very close to it. Moreover, in 16, 17 years under the strategy of urban renewal subsidy, nothing has happened in Cerrillos.*

> You are right! My opinion is that the state should anyway spend resources and invest precisely where the market cannot operate, like large open spaces. And by the way, in Cerrillos the state is building those 70 or more hectares of park, which is wonderful. That is the extent to which the state must intervene. Now, who should pay all of that? That open space and all of that should be paid by Santiago, not by the central state and the rest of the [country's] regions. (Interviewed on 27 April 2007)

Despite the apparent internal contradiction in this informant's discourse, that on the one hand advocates for state infrastructural provision but on the other to the extent of not interfering in how the revenues are going to be accumulated by the private actors (i.e. in the highly entrepreneurialised scheme deployed in CPB project), Mrs. Peterman reveals the existing contradiction of scales among private actors operating in the market of peri-central renewal. All in all, the linkage between the Association of Building Firms and the largest developers in the peri-centre is considerable. Both defend the need of maintaining state direct and indirect subsidies through infrastructure and rezoning. Differences might arise though in their opinion about the extent to which the state should intervene in designing the intervention and redirecting the revenues.

4.4.5. Ciudad-Parque Bicentenario: a summary

What CPB implies for the south western peri-centre are: a) a structure of public management with high levels of inclusion of large scale private actors but excluding municipal and communal actors, b) a Master Plan and urban design, constantly reshaped to its current form and functions, which is barely known by the people living in the surrounding area, c) in the long term, imminent appreciation of ground rent in the whole south-western peri-central zone (currently difficult to estimate), d) potential high pressure on the already existing road system and service networks to host the 75,000 new inhabitants in the area and e) a 50 hectares Central Park open to the public, but without pedestrian connectivity to either PAC or Lo Espejo *comunas*.

4.5. Chapter conclusions

Population losses, demographic ageing, de-industrialisation, higher concentration of brownfield plots, deteriorated physical and functional structures, and higher concentration of *allegados* are clear characteristics of most inner city areas of Santiago. Yet the peri-centre is complex and considerably heterogeneous. It is also composed of very active neighbourhoods inhabited by senior residents, most of them homeowners. As CHAPTER 3 examined, the higher rates of owner-occupation among Chilean urban residents are an effect of the intense policy of titling that took place during the liberalisation of the country, initiated from the mid 1970s. Although in low income areas, fully repaid housing loans might be associated to older and often dilapidated dwellings, a low number of people in debt and long-time residents might also be a sign of, or a condition that leads to, more consolidated neighbourhoods, where homeowners know each other and where collective organisation seems more feasible. This may be important for issues like public space improvement, crime prevention and organisation of their own local homeless' associations. All these factors were allegedly defended by the grassroots of Pedro Aguirre Cerda during their struggle with the municipality for the control of the redrafting of the local PAC Master Plan, as examined in CHAPTER 6.

The public-private strategy for peri-central 'regeneration' via urban renewal has been performed since 1990 through a broad area of localised subsidisation. Central state and active municipal management have been key aspects like rezoning and marketing. The policy has shown positive quantitative results in certain municipalities, in number of units built but not in population attracted. The most developed areas have been usually the previously most consolidated ones, but not the neighbourhoods that currently show the lowest social and physical indices, and thus, those that may need more active public intervention in their recovery.

But the mismatch between the actually deprived spaces and those that concentrate reinvestment should not be surprising in Santiago. From the beginning the strategy of peri-central urban renewal aimed, overall, at economically reinvigorating the inner city, boosting the property market of redevelopment and letting the firms operate and select their best locations freely. Seen from the current time, repopulation might have been only a secondary or even tertiary goal in MINVU's policy, let alone the inexistence of a

comprehensive protection of urban heritage, which has been to a great extent destroyed by the large scale urban renewal. But whenever and wherever changes of regulations have aimed at constraining the regulation (under heritage-protectionist schemes, as happened in Santiago-Centre in 1998), developers respond by jumping into zones of more flexible regulation, even in adjacent, less regulated *comunas*.

Some particular characteristics of the model of urban renewal in Santiago's peri-centre must be stressed. Although to be built, these blocks need enlarged sites (via plot merging), the average built area of the flats sold has tended to decrease whilst prices have remained unchanged. This can be seen as a way to maximise the accumulation of ground rent increases, and to absorb the public subsidy of 200 UF.

The size reduction of residential flats helps to produce deep social reconfigurations in the renewing neighbourhoods, not in terms of social replacement of low-income households by higher-income dwellers, but decisively at producing highly temporary residences that become unsuitable when the natural growth of households occurs. Yet it is also visible the speculative nature of the capital invested in urban renewal, and its volatility in cases of recession. The latter reinforces the point that financial capital is a main driving force in Santiago's peri-central renewal.

On the other hand, the property market agents determine specifically where to invest and where not to, hence where land can valorise and thenceforth the capitalised ground rent could actually increase, and where it could not. This depends on the strategic rationale exerted by the few large scale developers operating in the market of urban renewal. The public strategy inherent to URSA is to create the general conditions for allowing this to happen.

It was shown that urban renewal developers acquire land sooner than when it valorises, therefore they are able to capitalise the highest rent minus the (lower) price of the land paid to the original homeowner. To keep this land undeveloped for long time, as reserve-land for future operations, can be really profitable in future contexts of enlarged potential ground rents due to positive externalities agglomerated in its surrounding area and/or transformed building regulations.

In turn, for traditional owner-occupiers, the capitalised ground rent is the price they would receive for their plots in an eventual sale, usually at a time when the land has not been fully valorised, or it has only started to valorise. The price to be paid is comparatively low, but as far as the urban renewal market enters into a determined quarter, this value can increase up to a certain extent. CHAPTER 5 precisely examines these variations of ground rent.

After the Asian crisis in 1998, the URS market consisted of a limited number of firms (around six in the central area) that monopolised the several economic chains involved in the renewal of a specific area (acting as landlords, realtors, constructors, financiers, etc.). This is important, since while in one peri-central space the rent gap has been largely capitalised by these agents since the early 1990s, in another adjacent space this is not happening at all. Furthermore, the rent appropriated through high-density redevelopment is accumulated by this reduced number of operators. Speculation with idle land and increases in the price of the units (or inversely, reduction of the quality of the products keeping the same price) seem regular practices within URSA.

The municipal/private agency named CORDESAN, in operation since 1985, was successful at implementing the goals for urban renewal in Santiago-Centre. To a large extent, this agency fulfilled the five main features of urban entrepreneurialism (see sub-section 2.4) namely: i) attracting new sources of funding (both central-state and private); ii) bypassing traditional managerial roles and adopting a speculative stance; iii) coupling a local strategy of urban renewal with a 'global' strategy of placing Santiago as a financial centre; iv) concentrating investment and infrastructure in certain predefined zones, and v) prioritising a growth-first agenda of renewal, were the most important goal was assuring enough profits (i.e. accumulation of the ground rent) to developers.

The more recent added strategy of large scale urban projects epitomised by CPB has implied a more active involvement of MINVU in the management and facilitation of a public-owned site for private, large-scale redevelopment. The goals and state operation of this large urban project seems even closer to entrepreneurialism, given that CPB is to a large extent conceived physically and functionally disconnected from its surrounding area, whereas its public-private structure of management is little participative with

respect to the affected municipalities and local residents. This configures a case where the forms of entrepreneurialism and the Chilean reality also match clearly.

The *Ciudad-Parque Bicentenario* project should be considered as an external force in the redevelopment of PAC and the rest of its surrounding territory. Thus, what ought to be analysed are the effects this project and the Urban Renewal Subsidy have had in terms of capitalised ground rent variation, and potential ground rent enlargement in this part of the peri-centre of Santiago, an issue that CHAPTER 5 explores.

CHAPTER 5. Rent gap evolution in Pedro Aguirre Cerda *comuna* and its surrounding areas, 1990-2005

5.1. Introduction

As defined in CHAPTER 2, rent gap is a disparity between capitalised ground rent (CGR) and potential ground rent (PGR) produced in certain urban areas. This disparity, at its highest level, triggers spatial restructuring, because it represents, in a context of liberalised urban market, a maximum profit to be accumulated by property developers. Necessary conditions for widening the rent gap are a devaluation of the fixed capital set on space (as a form of creative destruction) and increases in potential ground rent. The latter is produced when the 'highest and best use' possible in that location makes the existing buildings as inadequate compared with other, much more profitable uses. The devaluation takes place when no landlord invests capital, or no local government commits public funds in maintaining outmoded built stock[1]. This creates an expanding, long lasting wave of material decadence across the area that triggers an eventual process of renewal. Although hinted at the previous chapter, the present chapter focuses specifically on this dialectic between valuation and devaluation. The analysis substantiates the appearance of a rent gap in Santiago's Pedro Aguirre Cerda (PAC) and its two neighbouring *comunas*: San Miguel and Cerrillos, at the east and west of PAC respectively, from 1990 to 2005. The structure of the chapter is as follows.

Section 5.2 defines a method of analysis of capitalised ground rent (CGR), building value (BV) and Potential Ground Rent (PGR). CGR is estimated from historical records of land prices available from 1990 to 2005, whilst PGR is calculated from the building capacity contained in local building guidelines. Section 5.3 focuses, at the level of the metropolis, on the evolution of the CGR in PAC, San Miguel and Cerrillos, comparing their values with *comunas* at the north and south. This comparison is relevant, because whilst San Miguel and Cerrillos present dynamic CGR variations that might reveal that ground rent accumulation had been under way in those territories, as was anticipated in

[1] CHAPTER 7 focuses on parallel existing forms of fixed capital devaluation. As this thesis' hypothesis establishes, deliberate urban deterioration is inherent to urban renewal.

the previous chapter, PAC shows low and static levels of capitalised ground rent whilst 'offering' a still latent potential ground rent to be accumulated. Thus, PAC *comuna* shows the largest and more embryonic rent gap. In terms of methodology, three north-south longitudinal 'transects', or sections, help to observe and compare the variations of CGR in these *comunas*.

Section 5.4 focuses on building regulations in local master plans as crucial instruments of rent gap enlargement. The analysis estimates plausible levels of Potential Ground Rent (PGR) in four *comuna* zones of Pedro Aguirre Cerda (PAC), in the hypothetical case that the building guidelines contained in the attempted First Draft Master Plan[2], developed by the municipality between 2003 and 2005, were applied. These levels of PGR are compared with the much lower PGR contained in the hitherto existing municipal urban regulation. Were the new guidelines been applied in 2005, among other effects, they would have almost doubled the PGR in the *comuna* and produced a clear attraction to large scale developers into these four zones.

By 2005, grassroots activists in PAC produced a counter-proposal draft which in practice would have barely maintained the levels of potential ground rent in most of the neighbourhoods. Although the political aspects of the struggle around the redrafting of the Master Plan will be examined in CHAPTER 6, Section 5.5 analyses this factor quantitatively. The section also focuses on the definitive Master Plan produced later by the technical consultants hired by the municipality, that to a large extent included the grassroots' technical perspectives. Both versions are compared in terms of the potential ground rent (PGR) produced. However, this definitive version was rejected by the political head of the municipality, precisely because it made unfeasible large scale urban renewal in most areas of PAC, constraining PGR increments only to a single area towards the north east of the *comuna*.

In sum, and in terms of potential ground rent, this chapter examines four different levels of PGR, determined by: a) the current building regulation in PAC, b) the municipality's 'First Draft', c) the community's 'Alternative Draft', and d) the 'Final Draft' developed by the consultancy firm.

[2] See Appendix 11 for definition of this planning instrument in Chile.

5.2. A proposed method for rent gap analysis

5.2.1. Observing Capitalised Ground Rent (CGR) and Building Value (BV)

In order to analyse the variations of CGR and BV in Santiago's peri-centre (San Miguel, Cerrillos and PAC *comunas*) between 1990 and 2005, a method of 'transects', or longitudinal north-south sections is used. These transects aim at illustrating the variations of capitalised ground rent across the southern metropolitan space, helping to correlate areas of CGR increases with the areas of urban renewal detected in the previous chapter. The analysis also serves to confirm where the large scale housing market has yet not operated and the CGR remains at a low level. The three transects are drawn from the city's historic centre (*Plaza de Armas* square) near Santiago's downtown and projected southbound in parallel to the main transport corridors of the three *comunas* under analysis: Pedro Aguirre Cerda, San Miguel and Cerrillos, also covering southern peri-central and peripheral *comunas* of the Greater Santiago Metropolitan Area (GSMA; see Figure 5.1).

The data used for showing these values is the 'Santiago Property Market Bulletin' produced quarterly by Trivelli Consultants during this period (Trivelli, 2005, 2007). This data is one of the only two land market indices available for the city, and comprises 305 sub-zones[3], covering the 34 municipalities of GSMA. Transect 1 covers 20 sub-zones, Transect 2 covers 12 sub-zones, whilst Transect 3 covers 14 sub-zones. Values shown are expressed in UF/m^2, so they are automatically adjusted to inflation[4].

Trivelli's data gives an estimation of the rent that property owners expect to get from their properties in the market. Every piece of land offered in Santiago, advertised in the traditional *El Mercurio* national newspaper, is recorded by this firm (the usual way to advertise is through this newspaper). The index considers factors such as: a) price, b)

[3] Relatively homogeneous areas of the metropolis defined by Trivelli, very similar in size to INE Census Districts.

[4] See Appendix 1-Glossary for definition of UF.

property size, and c) location. The method avoids duplicated offers advertised during several weeks.

However, the data certainly does not reflect an exact capitalised rent, due to some of its methodological limitations. First, the values shown are only averages within sub-zones whose size in the peri-centre is 125 hectares on average (for instance, within a sub-zone, different types of properties could reflect quite different prices). Second, values of buildings and land are considered together as a whole. Third, repetitions of 'null' values over time in certain sub-zones mean there has not been supply there during the quarter recorded or that internal property trades have not been advertised in the newspaper (this happens often in the micro-scale formal and informal property markets of Santiago's *poblaciones*). When the 'null' value is repeated over time, during several years, it could be assumed that there is a low exchange rate for the land in that sub-zone, impossible to determine numerically by this means. However, null values do not necessarily mean that the ground rent has been devalued to zero due to high demolition costs or other causes.

Although this data does not fully reflect the real value of capitalised ground rent, it depicts the structure of plot or land prices with some clarity, and how this structure changes in time (Trivelli, 2005). Therefore, this data is indicative – not totally accurate though – of the average capitalised rent in a determined metropolitan area, depicting the general metropolitan situation with some clarity.

Nonetheless, in sub-zones where Trivelli's values are consistently null (this happens especially in PAC *comuna*), the cadastral values obtained from the Internal Revenue Service (*Servicio de Impuestos Internos*, SII) database[5] help to calculate a CGR. This data also has a higher level of disaggregation, at the level of individual blocks. However, since these data are constructed for tax purposes, they usually underestimate (although sometimes overestimate) building values. Moreover, it only shows a static situation for the year 2003 (as SII disclosed this data only for that year).

[5] In the appraisal of buildings the following factors are considered: the quality and the material of its architectural structure, some technical specifications, age, building costs and location in the municipality and in respect to the nearest market centres (SII, 2006).

5.2.2. Estimation of Potential Ground Rent (PGR)

The analysis of Potential Ground Rent (PGR) is conducted in PAC *comuna* only, because this analysis is based on an estimation from the different guidelines enshrined in the existing and proposed versions of its Master Plan. The analysis also implied a considerable volume of information that could not be gathered in the rest of *comunas*, given the inherent limitations of this PhD research (see CHAPTER 1).

This methodological approach is justified in cities of relatively accelerated growth and liberalised urban regulations like Santiago, where the permitted building capacity in an area can be quickly realised by developers within a decade or so, therefore fully capitalising the PGR. The estimation of PGR is produced according to the following formula:

$$PGR = (NBP – LV – BC) / P$$

Where NBP is New Building Price, or the market price of the total number of units permitted by local urban guidelines on the plot, according to the building capacity contained in the local guideline; LV is Land Value paid by the developer to the property owner at its current price; and BC are Building Costs, or the sum of demolition costs, realtor operations, building permit taxes and all other costs involved in the production of the new building. Finally, P is the plot area, measured in square metres (m^2).

The building capacity is calculated from the Setback Plane (*rasante*) which is 70° in Santiago, Front yard Line (*antejardín*), Building Density, and especially Plot Area Ratio (*constructibilidad*), that increases – as an incentive to large scale developers – from 30% to 50% when several plots are merged into a larger one, according to current legislation (Gobierno de Chile, 2007b; Wurman and Torrent, 2006).

For the calculation of NBP, it is assumed a full development of the Plot Area Ratio augmented with an additional 30% (according to the incentive mentioned above), an average built area of residential apartments of 65 m^2 + 10% for shared areas (total 71.5 m^2), according to the evaluation of URS by Arriagada *et al.* (2007), and an average

market price per residential unit of around 1,300 UF[6] according to prices advertised in the media[7]. It is assumed that the average building cost is 12 UF/m^2 plus 30% additional soft costs[8] and building permits (which is in fact a high percentage of additional costs). Land Value to pay for a plot in PAC, according to the highest scores observed in the analysis of Transect 3 (see Figure 5.2) should not exceed 4 UF/m^2. Yet all these calculations are in reality a matter of developers' expertise, as building and extra costs can be both lowered by experienced firms who make their building processes more efficient. Accordingly, these values deliberately represent a rather conservative estimation based on low expected revenues, and they most likely fall below the profitability levels of real estate developers[9].

5.3. Capitalised Ground Rent and Building Value in the south-west peri-centre of Santiago

The following analysis is based on the three main transects, starting from the city's historic centre, and cutting across the spaces of 1) San Miguel, 2) Cerrillos and 3) Pedro Aguirre Cerda (see Figure 5.1). The goal here is to compare, in time and space, the variations of CGR and BV for the years 1990, 1995, 2000 and 2005 across these three areas. As explained above, the estimation of PGR is more specific (calculated from building guidelines contained in the local Master Plan), and will be conducted only for PAC, in section 5.4.

[6] US$ 47,500 approx.

[7] www.portalinmobiliario.com, one of the most utilised websites for advertising properties in Chile.

[8] In construction industry, soft costs are items not considered as direct construction costs, including architecture, engineering, legal fees, financing and other pre- and post-building expenses.

[9] My approach to estimate PGR differences with two classical methods, namely Clark's (1988), that deduces PGR from algorithms related to historical changes of population and houses sold during long historical periods (1860-1985), and Badcock's (1989), that supposes PGR from the market prices of serviced vacant sites. This difference is justified here both in the need to pay attention to the roles of national and local urban regulations in the production of the 'best and highest land use' (see CHAPTER 2), and because historical land value records for Santiago are extremely limited in time.

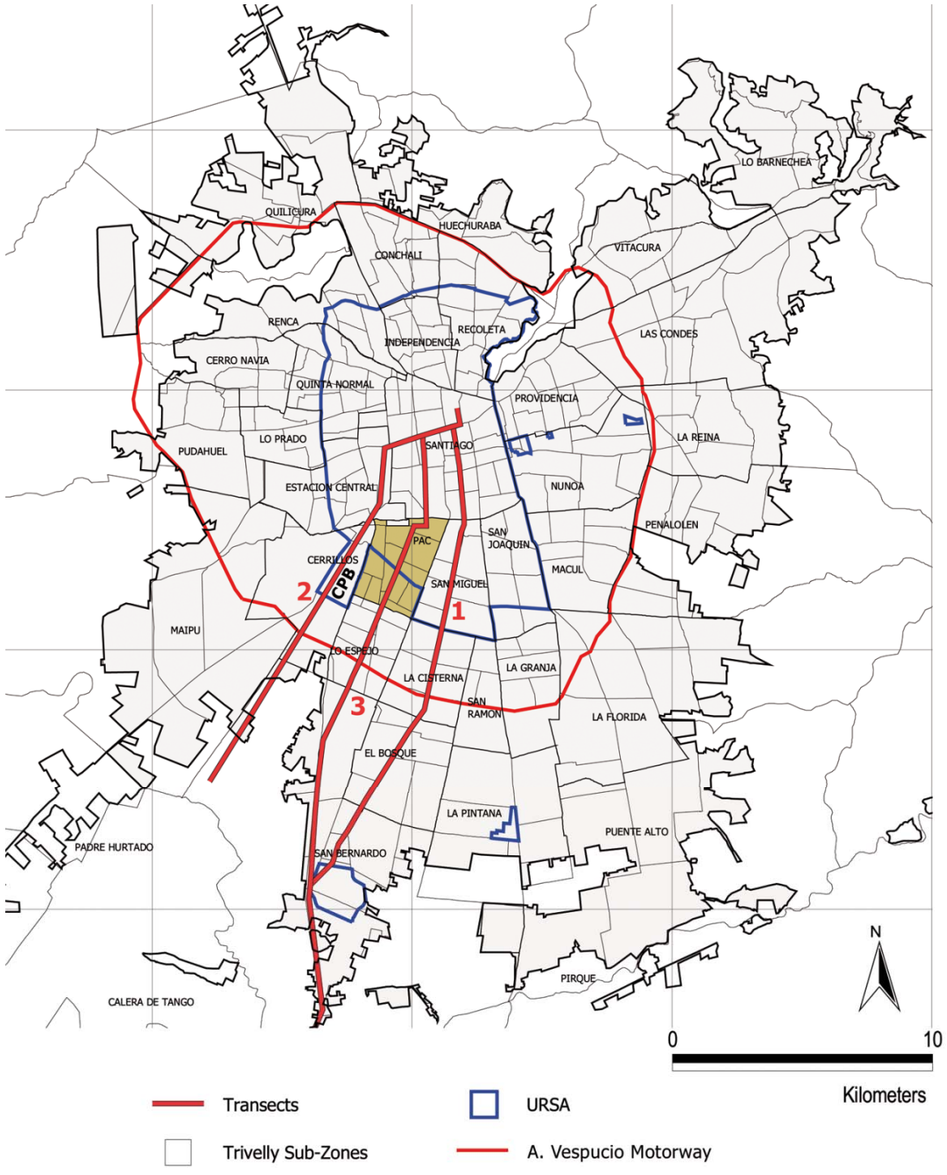
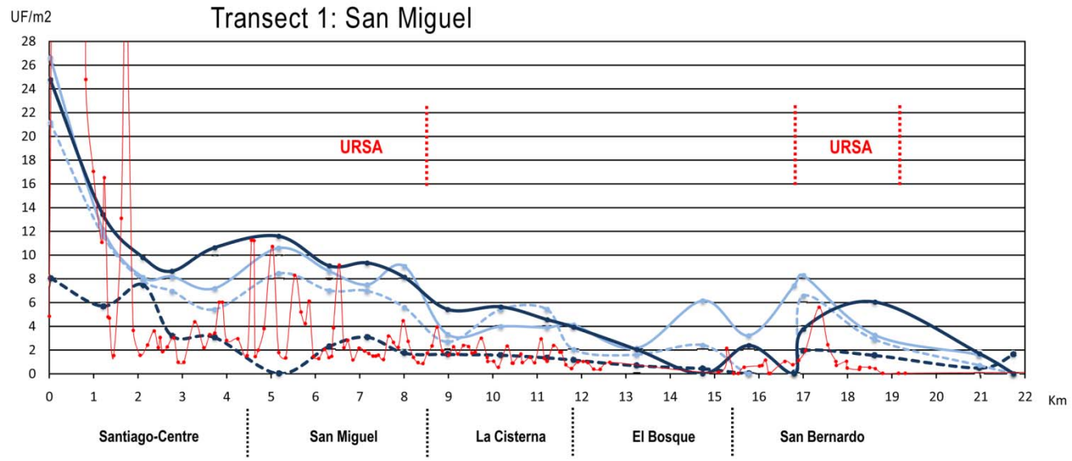
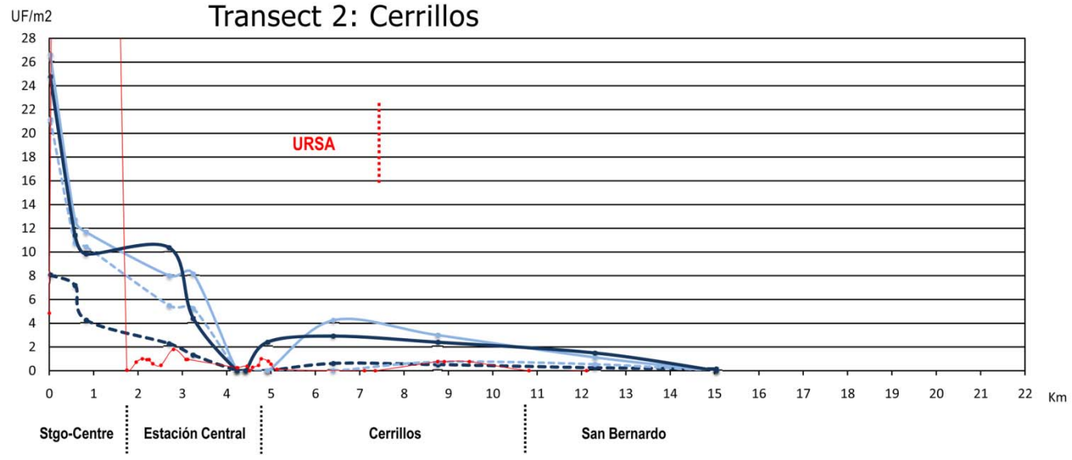
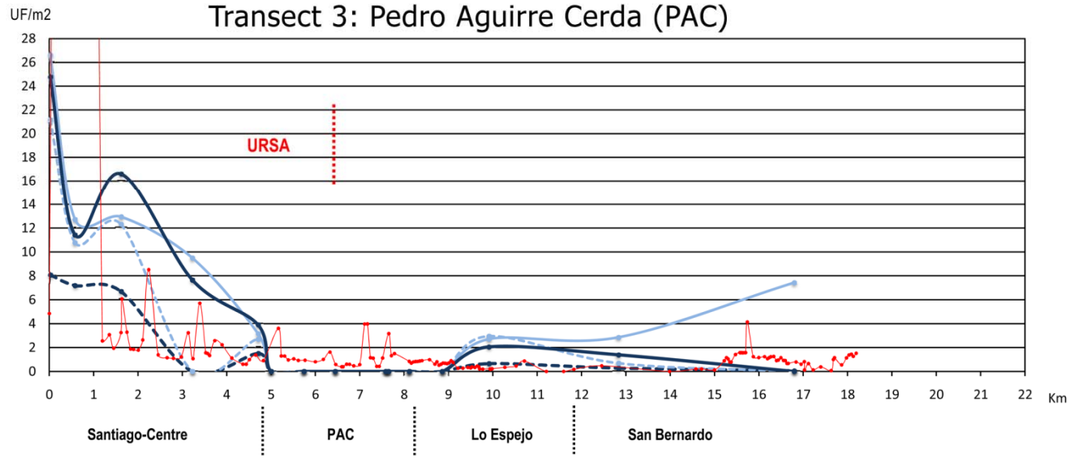


Figure 5.1. Transects for Rent Gap analysis and Trivelli sub-zones

Source: own elaboration







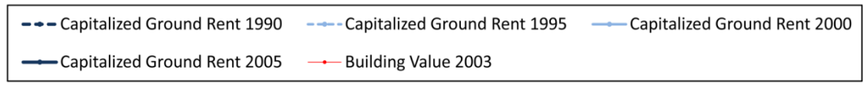


Figure 5.2. Capitalised Ground Rent variations (1990, 1995, 2000 and 2005)

Source: own elaboration based on Trivelli (2005)

5.3.1. Transect 1: San Miguel comuna

Transect 1 in Figure 5.2 (see also Figure 5.1) shows how in 1990, when the Urban Renewal Subsidy Area (URSA) did not yet exist, ground rents in Santiago-Centre's *comuna* showed an average of just over 7 UF/m^2. However, this territory has seen a sharp increment of 16 UF/m^2 in the 15 year-period, with a tendency to decrease and increase again towards the south (growing around 8 UF/m^2), due to the intense redevelopment experienced in the southern quarters of Santiago-Centre after 1995, mainly due to the significant impact of the Urban Renewal Subsidy on these neighbourhoods.

Figure 5.3. Views of Transect 1

Urban renewal developments in a) Santiago-Centre, b) San Miguel and c) San Bernardo. d) Southern urban perimeter of GSMA. Source: author's archive

More radically, San Miguel *comuna* shows a marked variation of capitalised ground rent of around six to ten UF/m^2 during the period. With high probability, this appreciation is an effect of the 200-UF subsidy on its local property market. San Miguel has been fully covered by URSA since 1991 and, since then, leading by far the 10 peri-central *comunas* that benefited from this housing subsidy (see Table 4.1, page 180). Until 1992, San Miguel's property market was relatively stagnant, despite the fact that its two fashionable bourgeois neighbourhoods, namely El Llano Subercaseaux and Lo Ovalle, had been connected to the Metro underground network since 1978. In general, this form of urban transport was an important factor of attraction of building development in Santiago, but in the case of San Miguel, it did not prove sufficient to trigger its local property market until the URSA was set up and thus San Miguel's local property market received a boost (Trivelli, 2007). And, since the average price of the new properties built in San Miguel has been between 1,200 and 1,300 UF per unit during the period 1995 and 2005 (Arriagada *et al.*, 2007: 15), the public subsidy of 200 UF was visibly a leverage, a potent signal for this market and its operators.

Transect 1 shows that ground rents tend to decrease in the southern municipalities of La Cisterna and El Bosque. This is produced by the lower accessibility of these more peripheral territories. These spaces, located outside of URSA, show different socio-economic status compared with San Miguel or Santiago-Centre (see sub-section 4.2.2, page 155 for socio-economic indices; see also Appendix 2), whilst the presence of state-assisted social housing projects there, ranging from middle to lower income, create a very different market environment. Being closer to the periphery, plot prices in El Bosque and La Cisterna are considerably lower than in the inner city, due to their highest distance to Santiago's CBD. However, in even farther San Bernardo *comuna*, average ground rents rise up again from 2 UF/m^2 in 1990 to 8 UF/m^2 in 2005, due to the existence of an additional smaller URSA located in its local centre, in a similar manner to Santiago-Centre, but at smaller scale.

Across this transect, cadastral building values (shown in red line) are uneven. In downtown, they usually exceed the boundaries of the figure because these are office skyscrapers, far more expensive than the highest property prices considered by Trivelli in those zones. Further, in the peri-centre, since the data is an average at block level, the building value shows where there has been high density urban renewal and where there

has not, or where there are still vacant plots or even where some areas might be experiencing devaluation, up to 2003. This is also visible in San Bernardo for the abovementioned reason (i.e. construction in urban renewal due to URSA). At any rate, the cadastral values reflect a disparity among *comunas* across Transect 1: the average in Santiago-Centre is 12.14 UF/m^2; in San Miguel, 2.12 UF/m^2; in La Cisterna, 1.53; in El Bosque, 1.04 UF/m^2; and in San Bernardo, 0.84 UF/m^2.

Assuming there once was a large rent gap in San Miguel (although the data available cannot fully corroborate this assumption) this has been intensively capitalised after fifteen years of relatively successful large scale property market. As Transect 1 shows, since 1995 the capitalised ground rent in this *comuna* has tended to remain roughly between 6 and 12 UF/m^2. However, these values could still rise moderately given the general metropolitan tendency for ground rents to increase due to urban infrastructure invests.

The rent gap might well be near closure in San Miguel, as relatively inexpensive available plots in good locations become exhausted. Thus a slowdown in this local real estate market niche might be expected in the near future. However, as observed above, in URSA, when a neighbourhood becomes saturated or when urban guidelines become more restrictive in a certain zone, property firms leave and move into other neighbourhoods whose rent gaps are still wide. Therefore, the eventual closure in San Miguel's rent gap creates potential opportunities for some areas of PAC to be opened as a new market niche, in so far as large-scale developers could capitalize a considerably higher ground rent there. Section 5.4 gives an estimation of this potential ground rent, produced by local urban regulations, in Pedro Aguirre Cerda.

5.3.2. Transect 2: Cerrillos comuna

Transect 2 in Figure 5.2 also shows the impact of the subsidised urban renewal market on the ground rent in Santiago-Centre municipality. Near downtown, ground rents increased from almost 8 UF/m^2 to 25 UF/m^2 between 1990 and 1995; they decrease towards the south of the *comuna*. The transect also shows the more recent urban renewal market niche in Estación Central *comuna* as one of the latest and most intense

cases of urban renewal in the metropolis, where ground rent has increased by 400% in these districts, from 2 UF/m^2 to 8 UF/m^2, during the period.

By contrast, the hikes in Cerrillos' ground rent starts only in 2000. In part, this is due to the higher availability of large scale industrial plots, now usable for redevelopment. Many of those plots were abandoned or underused following the general process of peri-central de-industrialisation since the 1970s, as examined in CHAPTER 3. More recently, the industrial function was further discouraged by the 1994 Santiago Metropolitan Master Plan (PRMS[10], which instead allows concentrations of heavy industry in the northern fringes of the city). This context opened the door to the gradual reconfiguration of Cerrillos as a residential place, but only if the necessary incentives are provided, i.e. the construction of *Ciudad-Parque Bicentenario* (CPB) and the extension of URSA toward this area.

Figure 5.4. Views of Transect 2

a) *General Velázquez* Motorway. b-c) Views of the site of *Ciudad-Parque Bicentenario.* Source: photography taken by the author

[10] Different to 1960 PRIS; see sub-section 3.4.3.

Transect 2 clearly shows how the vast pieces of land in the south of CPB, still not permitted for development in 2005, considerably increased its valuation since 2000, due to the imminent legal elimination of land use restrictions related to the airport functions[11]. In 2000, ground rents in Cerrillos increased, even exceeded, 5 UF/m^2, as effect of an increased demand produced by all these changes. This confirms the high impact that the large-scale CPB project could have on potential rents in its other surrounding areas, especially PAC, over the middle- or long-term.

5.3.3. Transect 3: PAC comuna

Transect 3 in Figure 5.2 shows again the rapid land appreciation in Santiago-Centre downtown, with a decrease and an increase again towards the south, though with lower intensity. However, in general, the further to the south, the lower ground rents are because, the southern quarters of Santiago-Centre have been traditionally undervalued by this city's property market.

However, in the case of Pedro Aguirre Cerda (PAC), there is a clear contrast with the previous two cases. PAC *comuna* has experienced neither similar processes of urban renewal nor increased average land rent levels like Santiago-Centre, San Miguel or Cerrillos, even though 60% of its territory is contained within the Urban Renewal Subsidy Area, while it is also one step away from *Ciudad Parque Bicentenario*. In the north of PAC, former industrial plots have been abandoned since the 1980s, generating negative effects on their environments, ground rent depreciation and physical barriers that stop the 'waves' of urban renewal spreading from the northern Santiago-Centre *comuna* (SGA-IBERSIS, 2000).

The rent gap in PAC is more clearly in evidence than in the previous two cases. It is a broad region which has not detonated processes of urban renewal or initiated substantial increases in ground rent. The four Trivelli sub-zones in PAC consistently show null values between 1990 and 2005 (this means that no market exchanges have been recorded). PAC so far is the only territory in Transect 3 that has not experienced

[11] The legal change of land use from rural to urban was approved in February 2006.

noticeable ground rent increases associated with urban development or redevelopment, notwithstanding, in general terms, that the potential ground rent in its local territory (regardless of how high it is) may be still fully capitalised in an eventual process of renewal.

Yet the null values recorded in PAC do not mean that this is a static property market, but that the scale of the transactions in PAC may be too small, so that they are not 'visible' through the instrument used by Trivelli. In fact, it may be not too speculative to claim a parallel existence of urban economies within peri-central areas, like many PAC *poblaciones*. During fieldwork for this research, it was observed in several places in PAC how the organised community cooperates in the process of buying and selling properties, aiding in the selection of potential buyers. Also, there is neighbourhood solidarity when repair or rebuilding of damaged homes is needed. Claudina Núñez, an important grassroots leader who lives in La Victoria *población*, explains:

> There is always demand for housing here. The logic that works here is that when someone wants to leave, neighbours from the whole block will look for the buyer. Everybody helps to search. It is a natural mechanism here. It will not be easy for an alien person from outside to come and live here. (Interviewed on 31 March 2007)

Nevertheless, the too near property markets of San Miguel and Cerrillos means that part of PAC residential space has recently attracted the interest of developers who for a while have been acquiring inexpensive land, especially across the borders of *General Velázquez* Avenue in PAC's western limit, and *Departamental* Avenue (see Figure 5.7). Several PAC residents interviewed confirmed this, and some even said that there have been, more than once, conflicts between the community and prospectors (see Figure 6.4 in CHAPTER 6 for evidence of this).

Although values shown for PAC are null, the cadastral building values observed across the municipality (red line in Figure 5.2) may help to calculate a capitalised ground rent for Pedro Aguirre Cerda. This data shows more variable indices, reaching 4 UF/m^2 in two exceptional points in PAC's northern and southern areas, a municipal park and a community centre respectively. In other places the BV falls below 1 UF/m^2, marking an average building value slightly above 1 UF/m^2 across the transect in PAC. This average could be considered as a minimum value to be paid to owner-occupiers if these plots

were sold on the market (i.e. CGR-1), yet as a market price, this value may also increase to 2 UF/m^2, in the event that demand for renewal in these areas goes up.

As Transect 1 also shows, the CGR increases again in southern municipalities of Lo Espejo and the western area of San Bernardo, the latter territory being peripherally located and still offering non-developed land such that this land will experience considerable valuations when it is annexed to the city. In general, a larger-scale property market and other social housing subsidies (not urban renewal) operate in these two municipalities, with the sole exception of the small URSA on the historical centre of San Bernardo, observed in Transect 1.

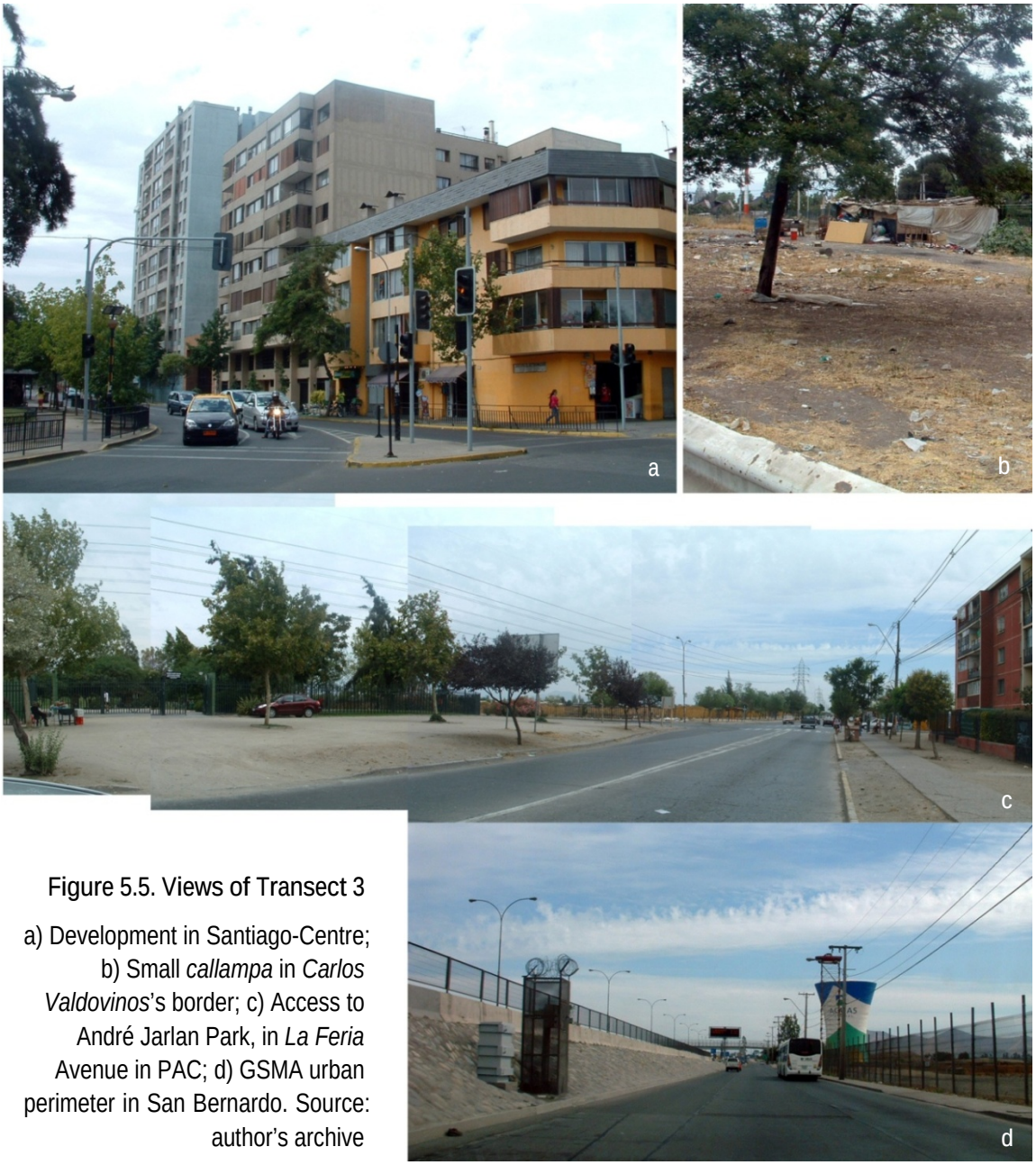


Figure 5.5. Views of Transect 3

a) Development in Santiago-Centre; b) Small *callampa* in *Carlos Valdovinos*'s border; c) Access to André Jarlan Park, in *La Feria* Avenue in PAC; d) GSMA urban perimeter in San Bernardo. Source: author's archive

Yet were land-owners in Pedro Aguirre Cerda to sell their properties at a price of 2 UF/m^2, this value would not be sufficient to cover their housing needs. For instance, in two of the PAC *poblaciones* most affected by the proposed new building regulations (Neighbourhood Units 15 and 16, see Figure 5.7-B), the size of residential plots is between 200 m^2 and 330 m^2. For a plot of 300 m^2, a ground rent of 2 UF/m^2 implies a sale price of 600 UF, enough for one household to replace its old property with a new apartment no larger than 45 m^2 (worth 800 UF, including the 200 UF subsidy) in a peri-central municipality similar in status to PAC – Independencia or Quinta Normal for instance – or conversely to give a down-payment for an affordable but bigger dwelling in some distant peripheral location in the metropolis.

However, as the 2002 national population census has shown, 20% of PAC residential dwellings house two or more households. In cases where several households share a plot, 600 UF is clearly not enough to satisfy their housing needs. This situation becomes even more problematic in plots of 200 m^2 or 160 m^2, normal sizes in *población* La Victoria, located in the 'heart' of PAC (see Figure 5.7). A size of 160 m^2 would imply a payment of 320 UF, which only means the household (or households) would then have to find replacement accommodation in a poorly serviced estate in the periphery. I could confirm in fieldwork that many PAC local homeowners are aware of the profitability of the potential rent of their plots of land, and also of the impact that its accumulation has in the stability of their social systems and ways of life. This point is key and will be further considered in CHAPTER 6's analysis.

From the existing structural logic of redevelopment, if these rent increases are to occur, it would appear necessary to *absorb* these working class areas within the circuits of the real estate market, if not radically and fast (as the central state is attempting in Cerrillos' CPB; see section 4.4), at least through sustained public efforts to allow the opening of these key areas of micro-scale urban economy to the market. This is precisely what the proposed PAC Master Plan sought to do in 2005.

5.4. The attempt to increase Potential Ground Rent by Master Plan in PAC

As seen in CHAPTER 4, the local Master Plan of Santiago-Centre *comuna* was amended 29 times between 1991 and 2005, seeking to adapt the local urban structure to the scale of the ongoing urban renewal market. A similar path was followed by San Miguel Master Plan. In the case of Pedro Aguirre Cerda (PAC), by the end of the 1990s, it seemed clear to its local administration that the existing market of urban renewal could not simply step into the *comuna*, because developers were not attracted by the poor prospect of its limited potential ground rent. Hence, from 2003 onwards, the local government sought to pass a new Master Plan – up to then, a highly stagnant regulation, constituted by parts of three different zones from San Miguel, La Cisterna and Santiago *comunas* (see Figure 5.7-A)[12]. This new plan was aimed at: attracting new higher-income dwellers into some specific residential neighbourhoods (especially in PAC north-east); repopulating these targeted areas; bringing amenities and other urban activities to these places (attracted by a potentially reinvigorated residential market); widening metropolitan and local main roads; and setting more and larger open areas.

The latter two regulatory changes would imply considerable land expropriations, since the state in Chile has compulsory purchase power in cases of public interest, such as creating open spaces or widening roads (Gobierno de Chile, 2007a). PAC local government claimed that all these reconfigurations were justified by one of the goals of the already existing PAC Local Development Plan, which is "to put value into the *comuna*, taking advantage of its strategic location at 15 minutes from the metropolitan downtown" (PULSO S.A. Consultores, 2005b: I-62). At first sight, these changes looked quite positive, as claimed by the mayor of PAC:

> Urban development has been occurring in San Miguel. Nowadays we have it at just one hundred metres away from our *comuna*. […] That means that at any moment it is going to step into our *comuna*, and I think it is important for this to happen, so we must prepare the conditions for the landing of this type of investment, though – I insist – we have got very fragmented plots. […] Today we have 90% of homeownership in our *comuna*. And the property is, for that population who today consists of old people (more than 50), their

[12] PAC exists as autonomous municipal administration only since 1991. See Appendix 10.

> life capital. So it is very hard to ask them to speculate [with that capital] into the real estate market, to move out from the *comuna*, to acquire a different lifestyle. […] They don't accept any transformation; they would suffer if any expropriation goes ahead for a planned new avenue, and so on. (Interviewed on 25April 2007)

It is relevant to see how this actor acknowledged that the existing logic of urban renewal in Santiago are: a) speculative b) that they would involve some forms of displacement, and c) that they have social and cultural effects akin to gentrification. Nevertheless, he stressed the need to promote these changes, understanding, but not justifying, the resistance of the local owner-occupiers to them. In short, the structure of the new Master Plan, in its First Draft[13], targeted four areas for strategic urban renovation. These are analysed in some detail in the following sub-sections.

5.4.1. Re-zoning in El Carmelo/El Mirador (UR-1) and Villa Centenario/ Manuel Rodríguez (UR-2)

The initial strategy for the new local Master Plan was simple: to radically upgrade the zoning to mid and high density in the four quarters of the municipality targeted as strategic for urban renewal (coloured in Figure 5.7-B), hence increasing as much as possible the potential ground rent in most of these areas. As it was alleged by the municipality, the new plan would benefit owner-occupiers that, from then onwards, would be able to sell their plots at higher prices. PAC municipality had hired an external consultancy firm, namely PULSO, to play as the technical counterpart in the preparation of the plan.

Zones UR-1 and UR-2 were to be developed with higher building density by PULSO, as the proposed new regulation considerably increased the building capacity permitted there (see tables 5.1-A and B). However, while zone UR-1 was intended to concentrate services and generate a sort of metropolitan sub-centre in the north-east quarter of the municipality, because this is the closest and best connected to Santiago-Centre downtown, UR-2 was clearly zoned for residential renewal with commercial activities

[13] In a master plan, the Draft is a key stage, previous to the approval of the plan. Master Plan stages are explained in CHAPTER 6.

and several connections toward the intensively renewing neighbourhood of San Miguel, namely El Llano Subercaseaux.

Tables 5.1A and 5.1B show the increases in the building capacity permitted in the proposal. It also shows how density and Plot Area Ratio permitted are visibly upgraded in these zones. Once approved, these changes would have clearly opened the door to building density similar to that in San Miguel, permitting average heights of around 18 storeys. Moreover, existing lower-intensity typologies were devitalised through harder guidelines regarding Maximum Building Length for terraced house and Minimum Plot Size, as Table 5.1-B shows. The potential ground rent was switching to a more than interesting prospect for urban redevelopment.

Zone UR-1 is composed by former and large scale (many derelict) industrial plots and residential areas. As Figure 5.8 shows, the property market has been operating modestly in this space, reaching only one transaction at a level close to 6 UF/m^2, with an average value closer to 2 UF/m^2 for the period. Only in the years 1992, 1997 and 1999 there were no registered market operations in this zone.

Figure 5.6. Views of UR-1 Zone

Source: author's archive

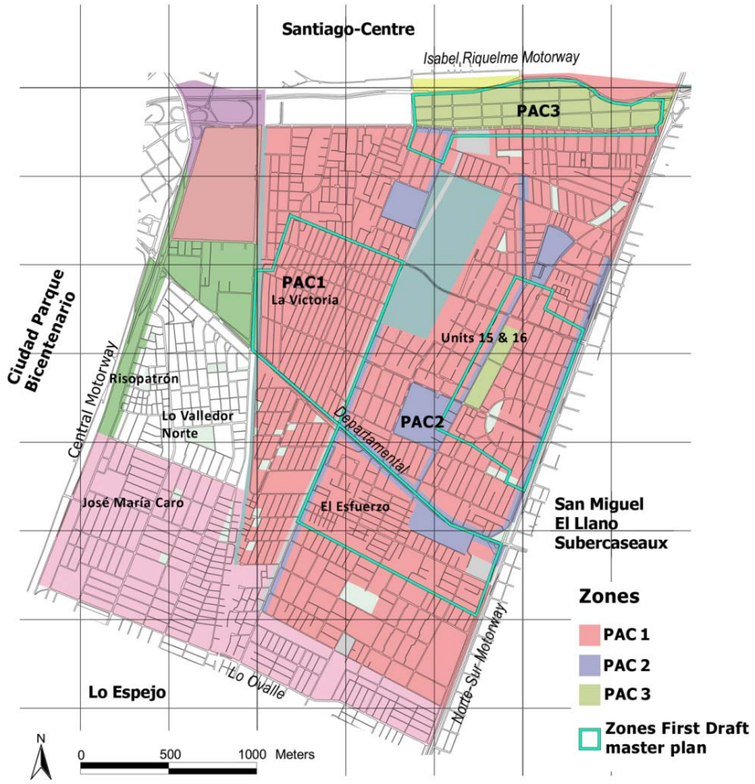


Figure 5.7-A. Structure of PAC existing zoning

Source: own elaboration based on SIDICO (2003)

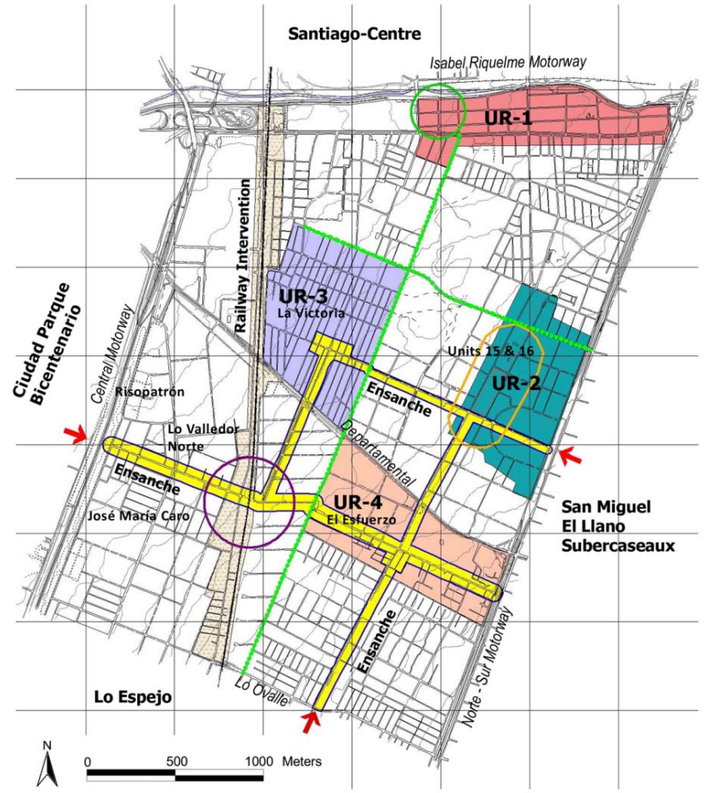


Figure 5.7-B. Structure of PAC First Draft Master Plan

Source: PULSO Consultores (2005a)

PAC Existing Guidelines				
Guideline	PAC1 - neighbourhood scale (corresponds to UR-2, UR3, UR 4 and *ensanche* in First Draft)	PAC1 - *comuna* scale (corresponds to UR-2, UR3, UR 4 and *ensanche* in First Draft)	PAC2 (partially corresponds to UR-2 in the 2005 proposal)	PAC-3 (corresponds to UR-1 in the 2005 proposal)
Max Density Allowed (People/Hectare)	300	300	300	300
Min. Plot Size (m^2)	120	400	120	200
Max Site Coverage (%)	80	80	80	80
Max Plot Area Ratio (X * plot size)	1.2	1.6	1.5	1.5
Permitted Building Typology	*	*	*	*
Max building length in terrace type - % of Plot Length	80	80	80	80
Max Building Height for detached blocks (metres)	**	**	**	**
Estimated Potential Ground Rent (UF/m^2) ***	5.2	8.2	7.5	7.5
* Detached, Semi-detached, Terraced house (no change in new guidelines)				
** In accordance with setback plane and building separation distance established by national regulation (Gobierno de Chile, 2007)				
*** See Appendix 9 for detailed calculation of PGR				

Table 5.1-A. PAC existing building guidelines and PGR

Source: Own elaboration based on SIDICO (2003)

PAC Guidelines First Draft				
Guideline	UR-1 & UR-2 Metropolitan amenities	UR-1 & UR-2 Residential densification	*Ensanche* corridors	UR3 & UR4
Max Density Allowed (People/Hectare)	700	700	-	-
Min. Plot Size (m^2)	500	500	120	120
Max Site Coverage (%)	80 (0-1 floors), 40 further	80 (0-1 floors), 40 further	80	80
Max Plot Area Ratio (X * plot size)	2.5	2.5	2	1.2
Permitted Building Typology	*	*	*	*
Max building length in terrace type - % of Plot Length	60	60	-	-
Max Building Height for detached blocks (metres)	No Limit	No Limit	No Limit	No Limit
Estimated Potential Ground Rent (UF/m^2) ***	15.1	15.1	11.3	5.2
* Detached, Semi-detached, Terraced house (no change in new guidelines)				
** In accordance with setback plane and building separation distance established by national regulation (Gobierno de Chile, 2007)				
*** See Appendix 9 for detailed calculation of PGR				

Table 5.1-B. PAC First Draft building guidelines and PGR

Source: PULSO (2005a)

Zone UR-1 shows the general tendency of most of the north-eastern PAC quarters, which are the most consolidated and in general have a lower incidence of low-income enclaves. These neighbourhoods are the closest to the metropolitan downtown, highly connected to accessible motorways. The rates of household occupancy (number of people per house) are relatively lower than the rest of the *comuna*, ranging from 2.3 to 3.7 people per dwelling in its main neighbourhoods (SGA-IBERSIS, 2000). This is possibly due to the slightly higher income level of the population here.

As seen in Table 5.1-A, districts in Zone UR-1 reach a current PGR of around 7.5 UF/m^2. Nonetheless, were the proposed regulations to be passed, the potential ground rent in plots would increase to 15 UF/m^2 or even more. Evidently, potential profits are on the verge of rising, from a rather irrelevant value to a more than interesting prospect for urban redevelopment, if developers decided to operate in this area. Figure 5.8 below shows these values.

Something quite similar happens in Zone UR-2, located towards the west of the metropolitan *Norte-Sur* Motorway, the closest area to San Miguel's El Llano and its facilities (see Figure 5.7). This zone also hosts the best quality, middle-class houses built in PAC, mainly during the 1960s, and plots urbanised under the state-led 'site and services' programme named *Operación Sitio*, during the same decade, which promoted working-class housing in serviced plots and self-help housing (see CHAPTER 3, also Appendix 1-Glossary). The particularity of these neighbourhoods is that they host very large plots, usually sized between 200 m^2 to 330 m^2, with an average of 260 m^2, very similar in size to the plots that have been renovated in San Miguel (SGA-IBERSIS, 2000). The average density of people per dwelling is between 3 and 3.5, similar to those in zone UR-1, and considerably lower than the rest of the *comuna*. All these features certainly make Zone UR-2 also quite attractive for a potentially rapid renewal.

As Table 5.1-A shows, Zone UR-2 is currently affected by two types of building-capacity regulations contained in the existing Master Plan, namely 'neighbourhood-scale' and '*comuna*-scale'. The first one is oriented to residential use, built at small scale, with a Plot Area Ratio of 1.2 that currently generates a PGR of around 5 UF/m^2. The second one is more flexible, permitting higher and denser construction, with a Plot

Area Ratio of 1.6, thus a current PGR of around 8 UF/m^2. However, with the projected new guidelines shown in Table 5.1-B, both switch into a fixed Plot Area Ratio of 2.1, producing a homogeneous potential ground rent of 15 UF/m^2, or even higher. Figure 5.8 shows the current and projected potential ground rent in these two zones (dark and light grey respectively), compared with the levels of capitalised ground rent accumulated during the fifteen-year period[14], due to the relatively existing small-scale property market which has been recorded in these neighbourhoods (blue line). Average cadastral values for the zones are shown in yellow.

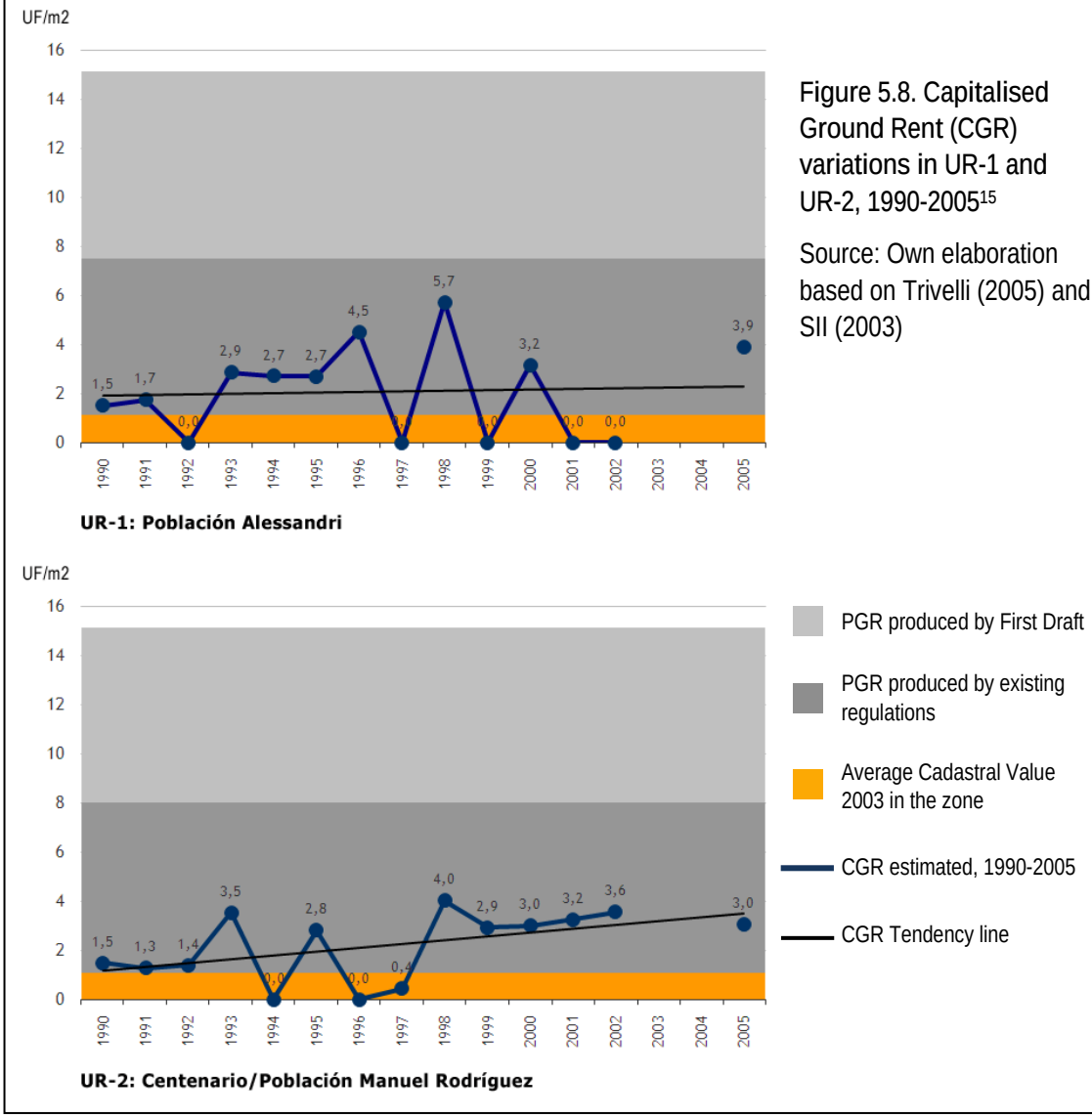


Figure 5.8. Capitalised Ground Rent (CGR) variations in UR-1 and UR-2, 1990-2005[15]

Source: Own elaboration based on Trivelli (2005) and SII (2003)

[14] With the exception of the years 2003 and 2004, for which data were not available.

[15] Data for years 2003 and 2004 was not available.

Table 5.1-B also shows that, for these two areas, the proposed maximum building length was reduced from 80% to 60% of the plot's length. This change goes potentially against small scale projects of densification, which depend on the maximisation of the site coverage. This point was politically sensitive during the struggle between the community and the municipality, and will be analysed in greater detail in CHAPTER 7.

Figure 5.9. Views of UR-2 Zone

Source: author's archive

5.4.2. Re-zoning in poblaciones La Victoria (UR-3), and El Esfuerzo (UR-4)

As shown in Figure 5.10, ground rent is relatively static in zones UR-3, namely the emblematic *población* La Victoria (Finn, 2006a, b), and UR-4, namely *población* El Esfuerzo, probably the most deprived neighbourhood in PAC. In La Victoria, in 1997 there was only one transaction registered, marking a value near 3 UF/m^2. Nevertheless, as it has already been mentioned earlier, there is an internal local property market here, which does not work via newspaper advertising but through the local community acting as a social 'property agent'. Also in this area, it is usual for the potential buyers to make offers to owners, for their properties.

However, these areas were also heavily targeted for urban renewal by PULSO consultants and the municipality but in a different way. Although they kept their permitted building capacity (thus the PGR remained at 5.2 UF/m^2, as observed in tables

5.1-A and B), the municipal government still estimated that these areas were key for "a process of improving residences and neighbourhoods" (PULSO S.A. Consultores, 2005a: 42-43). For this to happen, a projected new network of roads and squares named *ensanche* (shown in Figure 5.7-B in yellow) was designed to cut across these zones. This intervention implied the widening of streets, improvement of pavements, changes of direction of traffic flow, merging of different parallel roads and, especially, the opening up of large scale 'renewal squares'.

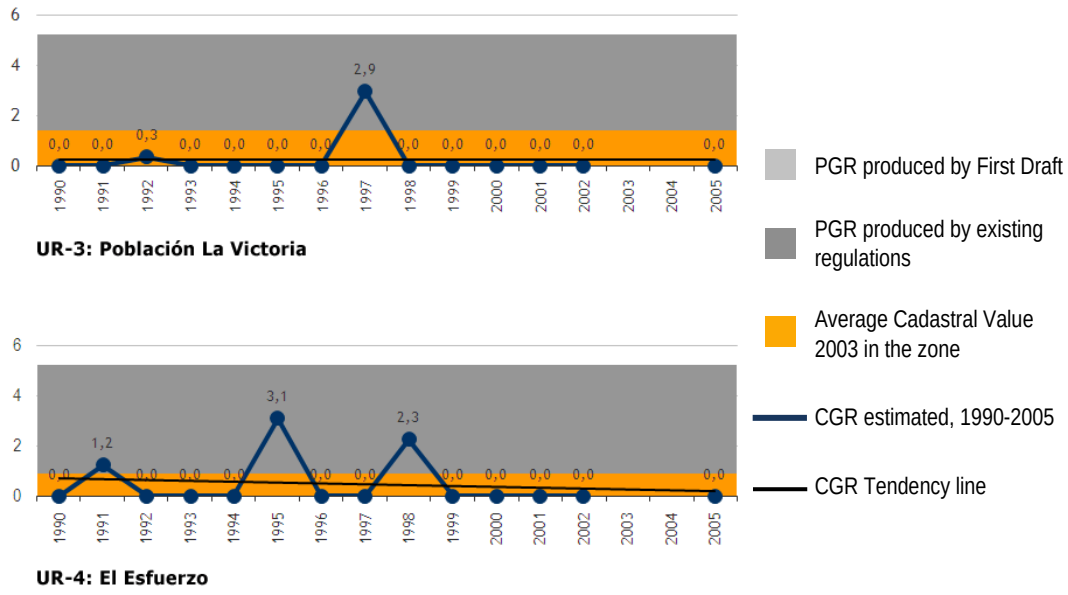


Figure 5.10. Capitalised Ground Rent (CGR) variations in UR-3 and UR-4, 1990-2005[16]

Source: Own elaboration based on Trivelli (2005) and SII (2003)

Two large squares were traced by the proposed First Draft Master Plan, precisely in the centres of La Victoria and El Esfuerzo *poblaciones*, potentially producing expropriations such that entire blocks would have to disappear. Although it is true that the widening of most of these roads was in accordance with the 1994 Santiago Metropolitan Master Plan (PRMS), the fact is that the west-east axis connecting Pedro Aguirre Cerda with *Ciudad-Parque Bicentenario* (see purple circle in Figure 5.7-B) was

[16] Data for years 2003 and 2004 not available.

independently added by PAC municipality. The 'renewal square' traced in the highly consolidated *población* La Victoria would have totally disrupted the centre of its social life and commercial trade. The planned image for these quarters shifted radically from the existing one- or two-storey dwellings, to newly built four- or five-storey blocks, as the building capacity in the boundaries of these projected axes was upgraded to a PGR of more than 11 UF/m^2.

Figure 5.11. Views of La Victoria (UR-3) and El Esfuerzo (UR-4) *poblaciones*

Source: photography taken by the author

However, this proposed *ensanche* system, which the local government saw as an improvement in the connectivity of PAC, was perceived by local residents as a form of muffling traditionally politically 'troublemaking' *poblaciones* like La Victoria, El

Esfuerzo, Risopatrón, Lo Valledor Norte and José María Caro (see Figure 5.7), visually separating them from the rest of the areas scheduled for renewal. The La Victoria grassroots leader, Gloria Rodríguez, summarises this appreciation:

> [I]nsofar as they cannot evict us they are going to block us. Their major aim is to evict us from here and send us further to the south, to social housing. They have always [historically] sent us to the south, I don't know why[17]… I mean the government and its policies. […] As they'll build that stuff [CPB] nearby, they'll block us just to make us invisible, because they suppose here there are only extremists, thieves, drug dealers. Even when Cerrillos airport was still operating, there was a huge wall just in front of a slum placed there. That is what they want to do with us now. (Interviewed on 11 April 2007)

The average ground rents in UR-3 and UR-4, shown in Figure 5.10, are barely below 1 UF/m^2. As noted in the Transect analysis, supposing that this level, or even 2 UF/m^2, became a normal price to be paid to homeowners in the hypothetical case that urban renewal is triggered in those areas, the high levels of multi-occupancy of dwellings would make the potential acquisition of these plots by developers a far more complicated issue. The average ratio of people per dwelling in La Victoria is 4.3, and in most parts of El Esfuerzo is around four (SGA-IBERSIS, 2000).

The problem of *allegados* is crucial in three of the four zones targeted for renewal by the municipality. No matter how much the ground rent might realistically increase in the hypothetical case that large scale urban renewal starts to operate in PAC, that level would be insufficient for meeting the residents' housing needs. Mario Alvarez, a community architect and planner who supported technically PAC grassroots communities in their struggle with the municipality between 2003 and 2005, clearly addresses this conflict, which is especially problematic in the case of zone UR-2, one of the most targeted areas by PAC's proposed new regulations. His reflections are applicable to La Victoria (UR-3) and Las Lilas (UR-4) too:

> You should understand that over 60% of them live in very good conditions. But there is a 40% who still live in the same shack where they have always lived, with the only difference that now there are four families living in one single 80 m^2 house, in relative poverty yet in a very good location. Thus any price offered for their 300 m^2, as a way to take full advantage of their land, would be very little for a household composed of three,

[17] CHAPTER 3 examined this historical process of segregation towards the southern fringes of Santiago.

> four or five families. In other words, the only thing they could afford with that money would be a first downpayment to cover enough to move towards the back of Renca hill[18]. (Interviewed on 11 April 2007)

5.5. PAC grassroots' Alternative Draft and PULSO's Final Draft Master Plan

A parallel, independent process of local political participation in PAC, led by local leaders, took place since 2005, aimed at generating an alternative communal proposal to the official new Master Plan[19]. Previously, the most active local leaders had identified several aspects of the First Draft municipal plan which, according to them, ought to be contested, namely potential expropriations, radical increments of PGR in most of the abovementioned four zones, and limitations to small scale housing upgrading. They criticised the First Draft prepared by PULSO, the external consultants hired by the municipality, in the following terms:

> First, the language of the document was perfectly clear: it established that the central objective [of the Master Plan] was to attract investment of real estate firms to the *comuna*. Whilst this objective was identified as 'progress', the associative capacity of *pobladores* was undermined and disqualified as 'the problem to be solved'. The way the plan segmented the *comuna* was an attempt to attract investment via new connections to San Miguel (crossing the *Norte-Sur* Motorway), for attracting buyers who can't afford to pay for flats in El Llano Subercaseaux, convincing them to come to PAC, with a bit of marketing. It seems clear that investments in PAC are not meant to be materialised in times when we need, but when they want to cleanse us with the force of money (PAC Community Leaders, 2005b: 6)

The goal of the grassroots leaders was thence to produce a counter-proposal to that plan, based on their own interpretation of "putting value into the *comuna*", which is one of the strongest leitmotifs of the Local Development Plan (SGA-IBERSIS, 2000), and also the basis for the conceptualisation of the First Draft. At the end of the process, thirteen different micro-proposals of urban regulation produced by 19 neighbourhood units were assembled together in a single Alternative Draft Master Plan, which despite not having

[18] An inexpensive, peripheral and segregated social housing location.

[19] CHAPTER 6 analyses the political aspects of this process.

graphic representation, showed clearly the local people's perspectives about urban development. The firm PULSO, after an initial reluctance to include the grassroots' direct participation in the process, collaborated and partially assisted them in the production of their proposal. According to Núñez (2006) and PAC Community Leaders (2005b), this communal unified draft was structured as follows:

a) Subdivision of the *comuna* into spatial sub-units. Starting from the four macro-areas proposed by PULSO, the community expanded this subdivision into 19 sub-zones. This strategy aimed at matching with the number of existing neighbourhoods in Pedro Aguirre Cerda, as a mechanism of closer analysis and intervention for every particular micro reality.

b) A different local road structure, more adapted to the existing local urban fabric, including new open spaces. No new streets should be traced over existing residential space, and the initially proposed system of structural squares and roads, called *ensanche* in the First Draft that would connect the centres of La Victoria and Las Lilas *poblaciones*, should be eliminated. The proposal also considered the transformation of the overground railway line, which currently divides the *comuna* in two, into an underground Metro-Train line. This would free up the existing strip to turn it into a local road and an open space. The goal is to connect PAC's isolated western quarters with the main eastern territory, proposing four stations along the line (currently there is only one).

c) Definition of small-scale urban renewal zones in the most decayed areas of the *comuna*. Such proposal should run together with a municipal policy that should allow: i) the right of dwelling extension; ii) collective applications to public funds for rebuilding, extending or upgrading existing dwellings; iii) any form or morphology of dwellings; and iv) increase of the maximum building length in sites (i.e. the percentage of the plot's length occupied by a dwelling) up to 80%.

d) Zoning proposal of community facilities, services, and a rezoning of industrial land use. The location of the municipal new centre should also be reconsidered (from its current location in the north-east corner) to a more geometrically central position within the *comuna*. Also, the abandoned large Ochagavía

Hospital should be re-converted for educational use, or transformed into an industrial cluster for micro-entrepreneurs.

e) Proposal for open spaces and recreational facilities, comprising community parks across the *comuna*'s space; a pedestrian park parallel to Clotario Blest road (converting the existing high-voltage towers into an underground electric pipeline); a pedestrian path in Dávila *población*; to open Manuela Errázuriz street. The municipality should consider using part of the municipal budget for converting small vacant plots into open spaces, in the most densely populated quarters of PAC.

f) A global proposal for risk assessment and environmental protection in the *comuna*, especially analysing the effects of petrol stations, transport terminal plots, warehouses, gas supply storages, garbage and rubble collection, surfacing streets and passages. Also, an assessment of feasibility for a local network of storm drainage, and a plan for implementing a sewerage network underneath the roads which reach the train line.

Although the grassroots of PAC could not translate their unified proposal graphically into a map, being in fact a list of factors (detailed almost for every Neighbourhood Unit), they clearly established building capacities for the 19 sub-zones of the *comuna* to be included in a future local plan. Table 5.2 compares this alternative proposal, in terms of the PGR, with the final proposal delivered in 2005 by PULSO[20]. PULSO's second and final proposal (see Figure 5.13) is substantially different from the First Draft examined in the previous section. As will be explained in CHAPTER 6, the consultants accepted the massive participation of PAC grassroots in the preparation of a new draft of the plan, and included many of their requirements, yet not all of them. Thus this Final Draft is not entirely coincident with the community's ideas. For instance, Table 5.2 shows how the levels of Potential Ground Rent proposed by either party differ considerably, especially in the north east of the *comuna*, in the area surrounding the existing municipal council house (Zone ZC-1).

[20] This last official version is still awaiting official approval, for reasons to be explained in CHAPTER 6. I had to made equivalent the zones of both proposals, in order to compare the different levels of potential ground rent implied.

Figure 5.12. Strategic places in PAC grassroots' Alternative Draft

a) High voltage line upon *Clotario Blest* Avenue; b) *Ochagavía* Hospital (abandoned); c) brownfield areas demanded by the community to be converted in open spaces, in San Joaquín *población*, built by the Housing Corporation (CORVI); d) train line that divides west and east PAC. Photography taken by the author

Whilst the community gave in to the proposal for greater building capacity for large-scale renewal within this small area, the building capacity contained in PULSO's final scheme (which produces a PGR of 23.6 UF/m^2) is still much higher than what PAC leaders expected. With less intensity, zones ZC-2 and ZC-3 were zoned with higher values than what the community planned for those areas. By and large, PULSO resisted reducing their original potential building capacities in the north-east quarter of PAC.

However, in zones ZH-1 and ZH-2, which represent almost 70% of the territory of Pedro Aguirre Cerda, the building capacity proposed is considerably more adequate to the existing spatial structure, and the levels of potential ground rent produced tend to be similar between the local community's and PULSO's positions. Also, the final proposal developed by PULSO is, in fact, a consolidation of the existing PAC road system, only with added changes of direction of traffic flow and the conversion of some local roads into metropolitan scale avenues. This point, especially, was seen by the community as an achievement because the risk of expropriations was being effectively reduced. As Table 5.2 shows, the potential ground rent planned for these areas is not high enough to attract redevelopment at a large scale, whilst zones of expropriation practically do not exist. Notwithstanding the many differences between PAC grassroots' guidelines and PULSO's Final Draft[21], this was seen by the local community as a considerable advance over the previous situation.

[21] Which was given to the author confidentially by PULSO but cannot be divulgated until the plan is officially published and approved.

Figure 5.13. Final Draft Master Plan by PULSO, 2005

Source: PULSO (2005b)

Guideline	ZC-1 / Metropolitan infrastructure	ZC-2 / Residential densification	ZC-3 / Structural Axes - Dwellings	ZH-1 / small scale services and productive activities	ZH-1 / residential	ZH-2 / small scale services and productive activities	ZH-2 / residential
PAC People's Alternative Draft							
Max Density Allowed (People/Hectare)	-	700	-	-	500	-	400
Min. Plot Size (m^2)	500	120	300	300	120	200	100
Max Site Coverage (%)	60	60	60	60	80	60	80
Max Plot Area Ratio (X * plot size)	2.4	1.2	1.2	1.2	1.3	1.2	1.5
Permitted Building Typology	*	*	*	*	*	*	*
Max building length in terrace type - % of Plot Length	60	80	80	80	80	80	80
Max Building Height for detached blocks (storeys)	8	4	3	3	3	2	2
Estimated Potential Ground Rent (UF/m^2)	14.4	5.2	5.2	5.2	6.0	5.2	7.5
PULSO's Final Draft							
Max Density Allowed (People/Hectare)	2,000	1,400	-	-	550	-	400
Min. Plot Size (m^2)	500	500	300	400	120	400	100
Max Site Coverage (%)	80	80	60	80	80	80	80
Max Plot Area Ratio (X * plot size)	3.6	2.5	1.5	1.4	1.0	1.2	1.8
Permitted Building Typology	*	*	*	*	*	*	*
Max building length in terrace type - % of Plot Length	60%	80%	80%	80%	80%	80%	80%
Max Building Height for detached blocks (storeys)	15	10	4	3	4	2	2
Estimated Potential Ground Rent (UF/m^2)	23.6	15.1	7.5	6.7	3.7	5.2	9.8

* Detached, Semi-detached, Terraced House

Table 5.2. Building guidelines and PGR in PAC people's Alternative Draft and PULSO's Final Draft

Source: own elaboration based on PULSO (2005b) and Alvarez (2005)

5.6. Chapter conclusions

The values observed in the three longitudinal transects, analysed in section 5.3, confirm the uneven reality amongst the peri-central south-western *comunas* of Santiago. The territory of San Miguel *comuna* is by far the first one to be incorporated into the large scale circuits of urban renovation in Santiago and where the previously existing rent gap has tended to be filled soon after 1990. Cerrillos *comuna* is a radically different case. Despite not being part of the market of urban renewal until recently, it has a considerable concentration of social housing in its territory, with increases in capitalised ground rents starting in 1997. Cerrillos also experiences visible ground rent valorisation since 2000, because this territory is now an open free market for developers of state-subsidised social and middle-income dwellings that, since that year, seem to have started to buy large pieces of land in the south of *Ciudad-Parque Bicentenario*, due to the imminent termination of the building restrictions generated by the airport.

In general, the ground rent variations experienced after the application of URSA in San Miguel, Santiago-Centre, and Estación Central, plus the radical transformations of Cerrillos' airport into *Ciudad-Parque Bicentenario*, with all the effects that it generates in terms of capitalised ground rent (CGR) variation, demonstrate the extent to which public policies are key in order to attract the market of urban renewal into the formerly industrial and/or working-class related peri-centre, especially in spaces where the property market has so far been reluctant to step in.

In the case of Pedro Aguirre Cerda, a considerable rent gap could be calculated through the analysis of Transect 3. The difference between the currently low CGR and the relatively high potential ground rent (PGR) seems evident. PAC lies amidst intense trends of metropolitan redevelopment. Large scale infrastructural public investment surrounds its territory, pushing up its land's potential intensity of use. However, since the agents of urban renewal are actually not capable of materialising these potential values through large-scale new buildings because they encounter physical barriers to this, i.e. a fragmented structure of very small plots and a restrictive building regulation. Therefore, it is the state, especially the municipal administration, which seems best placed to make this possible. Given this context, the PGR in Pedro Aguirre Cerda *comuna* is defined, and from this thesis' point of view, increased, by the new

regulations proposed by the local government in 2005, surpassing, in broad areas of the *comuna*, the level of 15 UF/m^2.

The organised PAC Neighbourhood Committees proposed an alternative draft, maintaining the PGR in most neighbourhoods roughly at its current level. They defined only one specific zone of intense renewal (instead of four) in PAC north-eastern quarter, and proposed a road network that produced much fewer expropriations than the 'official' First Draft. The grassroots' proposal went even beyond, and addressed several other aspects related to local development not considered previously by the authority, e.g. a solution to the spatial segregation generated historically by the train line, to convert the current high voltage line into an underground conduit, to give use value to the unfinished derelict Ochagavía Hospital, several specific environmental issues, and so on.

PULSO, the consultant for the municipality, redrew its original version according to many of these lines, especially reducing its previously planned high building capacities in the densest residential areas, but kept room for a considerably enlarged potential ground rent in the north-east quarter of PAC. Nonetheless, the local government considered this extremely localised potential benefit to large scale developers insufficient, rejecting the much less 'flexible' counter-proposal that had emerged from the interaction between the grassroots and PULSO. Suffice to say that by 2009 the approval of the new Master Plan in PAC is stalled.

Once analysed the technical factors surrounding increases in the rent gap in Pedro Aguirre Cerda, and the creation of the conditions for its accumulation, the next chapter focuses on the political dimensions of the process. Of particular interest will be the four main actors involved: the local community, the professionals that assisted them, the municipality, and the consultants hired by the municipality.

CHAPTER 6. The political struggle in the definition of Potential Ground Rent in Pedro Aguirre Cerda *comuna*

6.1. Introduction

The mechanics of enlargement and eventual accumulation of rent gap in the peri-centre of Santiago, analysed so far, reveal how urban renewal tends to be not a 'natural' process of urban regeneration but one produced via public intervention, whilst an important part of the latter are urban guidelines contained in local master plans that determine Potential Ground Rent (PGR). However, an issue still not addressed here is to what extent the enlargement of the rent gap and its accumulation can be contestable by local social forces. In this vein, the present chapter illustrates the struggle among the different actors involved in redrafting Pedro Aguirre Cerda's local Master Plan, between 2003 and 2005. While CHAPTER 5 was heavily based on quantitative analysis, the present chapter draws on qualitative information collected in the field, including documents and the main actors' narratives about the process.

Matters of social participation are vital in this analysis because, first, in Chile, the meanings of citizen participation in local planning established by the national authority through its different codes differ considerably, sometimes contradictorily. Second, because observing the process from the perspective of the grassroots of PAC, the reduction of social participation in the redrafting of the Master Plan could be seen as a form of securing increase and accumulation of rent gap whilst avoiding political confrontation with the affected population.

Between April and July 2005, almost all PAC Neighbourhood Units contributed to a bottom-up Alternative Draft Master Plan that sought to control the enlargement of the rent gap in the *comuna*. They also forced the local authority's external technical apparatus to reach a compromise and draw a second proposal. In fact, as it has been accepted recently by the national authority (MINVU, 2008), Pedro Aguirre Cerda's is one of 11 cases of local people contestation against municipal attempts to master plan redrafting that have taken place in recent years in Greater Santiago, ranging from well-

off *comunas* like Vitacura and La Reina, to low-income ones like Estación Central or Lo Espejo (MINVU, 2008a). This indicates that the case of PAC may not be a singular, somewhat chaotic[1] case of opportunistic politicisation by the radicalised leftist grassroots leaders (as the local and national authority initially claimed it was). In contrast, it seems to have been a political struggle against structural factors such as the uneven accumulation of ground rent, expropriations and the negative environmental effects caused by large scale construction, all of them elements that foster gentrification.

Four main types of actors (defined in CHAPTER 1 as 'primary informants') had direct participation in this case: i) the local communities; ii) independent professionals that assisted the grassroots; iii) the municipality and iv) the municipality's external technical apparatus, namely the private firm 'PULSO Consultants' (PULSO hereafter).

Broadly speaking, the process followed two major stages: firstly, a top-down First Draft developed by PULSO and the municipality that involved considerably limited levels of popular participation. The real causes for the lack of more participatory instances are still not clear to the actors, with each party involved in the process blaming the others for the lack of a better outcome. My interpretative hypothesis for this stage is that the local government of Pedro Aguirre Cerda was responding to a managerial-elitist model of policy delivery, very functional to the entrepreneurial goals of privately-led large scale renewal, with great power concentration in the hands of municipal officials (in the way Rivera-Ottenberger, 2008, has observed in other municipalities of Santiago). The evidence tends to confirm this. Some responsibility is shared with the regional office of the Ministry of Housing and Planning (MINVU) for this exclusion too, as will be seen in sub-section 6.2.2. This is because it was the regional authority which separated the parallel processes of production of the master plans in Lo Espejo and PAC (two neighbouring *comunas*) instead of unifying them.

The second stage consisted of a partial control of the process by the grassroots, in partial alliance with PULSO but not the municipality, which resulted in the Final Draft Master Plan. As analysed in the previous chapter, both stages of the plan implied radically different potential ground rents.

[1] According to Clark (2005), to claim that gentrification responds to 'chaotic' (i.e. unpredictable) social or cultural events is in contradiction with structural explanations of gentrification. See sub-section 2.3.4.

The structure of the chapter is as follows. Section 6.2 illustrates the official definition of social participation in urban local planning, and the actual involvement the people was allowed to have in PAC, from 2003 to early 2005. Section 6.3 illustrates, in contrast, the political capacity of PAC residents to overcome those structural limitations and decisively intervene at technical and political levels. More specific factors analysed in this section are the political and technical support by external actors that enhanced the operative knowledge of PAC community, the means that PAC grassroots could count with for their struggle (essentially, independent local mass media) and the evaluation PULSO did about the process.

6.2. An exclusionary approach to local planning

6.2.1. Legal definitions about social participation in the elaboration of local Master Plans

The levels of participation in the elaboration of *comuna* master plans in Chile are addressed by the national government in two different ways: first, through technical 'recommendations' to planners and local governments, in order to produce socially inclusive and comprehensive plans; second, through 'laws' that specifically define when and how citizen participation must be addressed by the local authorities. As illustrated below, these two ways contradict each other.

Regarding the recommendations, in 1999 the Ministry of Housing and Planning (MINVU) published Circular-55, an instrument that gives general and specific guidance to Chilean planners for the elaboration of local master plans (MINVU, 1999). This document advocates that citizen participation should be iterative along the process, because

> the success of a plan largely lies on the ability of the municipality to receive input from those who have the knowledge about the history and lifestyles of the community and its ability to achieve coordinated economic investments, both public and private, leading to better alternatives for community development and the consolidation towards solidarity in their realisation. [… I]t is important to note, though, that the image of a *comuna* is not

> only an expression of will of its municipality and its residents. Since the *comuna* is part of a larger entity [the metropolis], the requirements and expectations generated outside the *comuna* must be necessarily present in the plan. […] But the level of acceptance of a Master Plan by a community will be greater if this community understands and shares its contents, at least in its main points. Hence, the importance of incorporating *information* and *feedback* as key elements in the process, since a periodic evaluation of the implementation of the Plan in the *comuna* will give opportune and appropriate responses to the requirements of the territory, preventing inequities that occur in areas of low quality of life (MINVU, 1999: 11; emphasis in the original).

In very general terms, the same document defines that the elaboration of a local master plan should transit through the following steps:

1) Diagnosis, comprising quantitative and qualitative general approach to the local territory, its social and economic base, its natural and built environment, etc.

2) Proposals and agreements of long-term development alternatives, based on possible forms of growth envisaged.

3) Draft, comprising definitions of local macro-zones or homogenous areas, land uses and land use intensities assigned.

4) Approval of the plan, granted by all the relevant actors of the *comuna* represented by the Local Economic and Social Council, CESCO (*Consejo Económico y Social Comunal*) and, ultimately, by regional MINVU.

However, depending on every *comuna*'s particularities, the general process might become more or less iterative, depending on the level of success and capacity of agreement the plan generates among the several social and economic actors involved. Nevertheless, a strategic accent in social participation is recommended for all the stages, it being important that municipalities

> along with collecting the people's aspirations, and specifying what their vision of 'city project' is, design appropriate and feasible mechanisms for consultation to reach accurate diagnosis and proposals. […] In consequence, and according to the available means, it is necessary that the municipality promotes a broad discussion, either through interaction with the [local] agencies and institutions that [could give] relevant information to the study and/or through interviews and workshops, and provides a schedule that includes

> number and type of meetings, and identification of participant informants. […] It is important that [social] participation be present at all stages of the process of elaboration or redrafting of the instrument, and that a permanent dialogue with the Regional MINVU office takes place. (MINVU, 1999: 25)

However, the indications contained in Circular-55 are only recommendations. By contrast, the National Law of Planning and Construction (*Ley General de Urbanismo y Construcciones***,** LGUC) is compulsory over the whole Chilean territory. For instance, Article 43 of the LGUC states specifically how social participation must be performed during the elaboration of a new (or redrafting of an existing) local master plan. Yet, as previously noted, the principles established in the LGUC are considerably less participative than those proposed by Circular-55. For example, this law states that social participation comes only after the Draft Master Plan is prepared. Therefore, before its final discussion and eventual approval by the municipal technical apparatus, the local council must:

a) Inform residents, especially those to be affected by the new plan, about its main features and effects, following what is stated in the General By-law of Planning and Construction (*Ordenanza General de Urbanismo y Construcciones*, OGUC) (Gobierno de Chile, 2007b: 1-10), whilst

> such information must be delivered, at least, through certified letter to the involved local social organisations legally constituted; moreover, through a notice in a media of ample diffusion in the municipal territory, the residents must be given that information and the availability of free copies of the text in a place indicated.

b) Also, according to the Law of Municipalities (*Ley Orgánica Constitucional de Municipalidades*, LOCM) (Gobierno de Chile, 2004), the municipality must conduct one or more public hearings in the most affected neighbourhoods in order to present the Draft to the community during 30 days, after the public hearing(s). However this law does not indicate how many hearings must be conducted, so this can be decided unilaterally by the local administration (Rajevic, 2001).

c) After the presentations, the municipality should call the community and constitute the Local Economic and Social Council, CESCO, for a new public

hearing specifically aimed at the master plan. The local government must also present a report synthesising the observations from the community received hitherto. Further enquiring or observations can be received during 15 days after the last public hearing.

d) The place for the exhibition of the project, and the venue and time for the public hearings, must be advertised over two days[2], during two different weeks, either in one of the most popular newspapers of the local territory, through radio advertisement or other local mass media.

e) From then on, and during 30 days, the local council should analyse the community's observations and decide on their inclusion (or not) in the plan. If important changes are to be made in the project, stage b) must be conducted again. Once the Draft is approved at local level, it is sent to the regional office of the Ministry of Housing and Planning (MINVU), which must analyse and decide if the plan is in accordance with the national legislation and the metropolitan or inter-municipal master plan[3]. This latter process must take a maximum 60 days.

An aspect largely regarded by most of the technical informants of this study, public officers and scholars, is that the levels of social participation contained in the Chilean law are quite insufficient for promoting effective participation and avoiding the emergence of major conflicts, especially in low-income urban areas like Pedro Aguirre Cerda (PAC) *comuna*. Nelson Morales, Head of the Regional Office of MINVU, addressed this point:

> We are currently updating several local master plans [in Santiago], around 28, in which in different instances we have identified a series of limitations [related to lack of participation]. We are working on a legal project to improve citizen participation in our instruments of urban regulation, seeking to go in depth in the role of bottom-up initiatives in early stages of master plan rezoning, to open a bit more the current mechanisms. […] But *Santiaguinos*, Chileans in general, traditionally relate participation as issues constrained to basic service delivery, like water and electricity, but nothing more than that.

[2] Projects of master plans are usually exhibited in town councils.

[3] In Santiago, this is the Santiago Metropolitan Master Plan (*Plan Regulador Metropolitano de Santiago*, PRMS) in application since 1994 (Carvacho, 1996).

> Differently, in La Victoria and all those *poblaciones* emerged from *Operación Sitio* [see sub-section 3.4.2.3, page 109], the political and social aspects related to master plans are much more important for them. (Interviewed on 17 May 2007)

According to this high commissioner[4], in Chile, participation in local planning is culturally associated to a form of obtaining particular gains. However, the people from Pedro Aguirre Cerda, and La Victoria *población* specifically, may be an exception to this rule, since, as this chapter seeks to show, the level and consciousness of participation developed by them was more embedded in a long-term perspective of local development. However, Mr. Morales also gave an official acceptance about the insufficient spaces of social participation currently existing in the several processes of local planning being developed in Santiago. From this perspective, the decision taken initially by the municipal government of PAC that disfranchised social local actors from the process may be less an exceptional case, and more a rule.

Furthermore, a recent report developed by the Faculty of Architecture and Planning, University of Chile, released in 2008 to the media (Herman, 2008b; Torres, 2008b), claimed the urgent need for modifying the national LGUC in order to include more effective mechanisms of citizen participation through all the phases of a local master plan, making the whole process more transparent. This is especially due to the one-sided influence that private developers usually exert over the public sector[5]. As Dr. Hugo Romero, an experienced scholar from this university, argues,

> in our country there are two types of social participation. One is rhetorical. We, the people, have the feeling we are being consulted and considered. But in practice since that participation has no real voice in the representative institutions that take the decisions, it is reduced to public hearings, conducted in some municipal assembly hall, where technocrats explain – as the initiated ones, using their maximum creativity – to the society what we have to accept. […] Nonetheless the second type of participation is what really matters, and this is the one which is more incidental in Chile: the lobbying. […] Lobbying and communicational strategies imply undoubtedly the search of consensus and the generation of arguments […] greatly helped by the mass media; a whole hegemonic construction made unilaterally. (Interviewed on 31 March 2007)

[4] No longer in charge since 2008.

[5] Sub-section 3.7.3 also addressed this point.

In fact, there was agreement among the 11 scholars interviewed during the fieldwork that real citizen participation in the elaboration of local master plans in Chile is insufficient. As many of them reckoned, municipalities can even interpret, with a high degree of freedom, what the LGUC, the OGUC and the Law of Municipalities define about the inclusion of citizens' criteria in the final results of these processes (Rajevic, 2001). However, as I observed in the field, higher government levels may also share responsibility in promoting a less participatory production of master plans. In the specific case of PAC, a decision taken by the regional office of MINVU was to bestow the elaboration of PAC and Lo Espejo Master Plans to two different, totally isolated external consultants, despite the fact that they are adjacent territories and their plans were conducted at the same time between 2003 and 2005. This point is addressed below.

6.2.2. The isolation of PAC and Lo Espejo Master Plans

The process of redrafting PAC Master Plan began in late 2003[6]. Following current legislation, the Regional Office of the Ministry of Housing and Planning (MINVU) invited private consultant firms to bid for this project. In that occasion, and as usual, two pairs of master plans were offered: PAC was coupled with Curacaví *comuna*, whilst Lo Espejo (PAC's southern neighbouring *comunas*, with which it shares *población* José María Caro) was coupled with Til-Til *comuna*. As Figure 6.1 illustrates, this strategy coupled one peri-central and one peripheral *comuna* in two separate bids. The contracts for Pedro Aguirre Cerda and Curacaví *comunas* were awarded to PULSO Consultants, while Lo Espejo and Til-Til were awarded to SEREX (attached to Catholic University).

Grouping several *comunas* in one single tender is a regular modus operandi by regional offices of MINVU across the country. However, from the beginning the separation of PAC and Lo Espejo seemed awkward for PAC key local social actors. Two municipalities that share similar problems could have been considered integrally together for the elaboration of two integrated local master plans, or one single inter-

[6] The project's cost was 80 million Chilean Pesos in total (US$ 143,000 approximately), 95% of which came from regional sources and the remaining four millions from PAC municipality. Project Code N° 20180023-0 in SERPLAC's 2005 Regional Investment Programme, Government of Chile (SERPLAC, 2005: 116).

comuna master plan. Instead, MINVU made both processes run in parallel, with virtually no communication between the two technical teams.

Investigating the real motivations for this separation was not easy during the fieldwork, because official interviewers claimed this was a purely technical decision. Yet it was clearly admitted off-the-record by several interviewees, from national and regional MINVU, that this was a mistake, a lost opportunity for making a new integrated inter-municipal plan. However, PAC community leaders were far more sceptical. Many of them thought the separation of PAC and Lo Espejo was an attempt to divide and disenfranchise, in advance, potential reactions from the local people, especially from the two 'conflictive' *poblaciones* La Victoria and José María Caro, which also belongs to Lo Espejo (see Figure 6.2), and especially since these two neighbourhoods have been historically coordinated in previous political mobilisations, especially during the military dictatorship (1973-1990). Whether regional MINVU deliberately sought to isolate these naturally integrated enclaves or not is a matter of speculation. However, the existing evidence confirms this possibility as plausible.

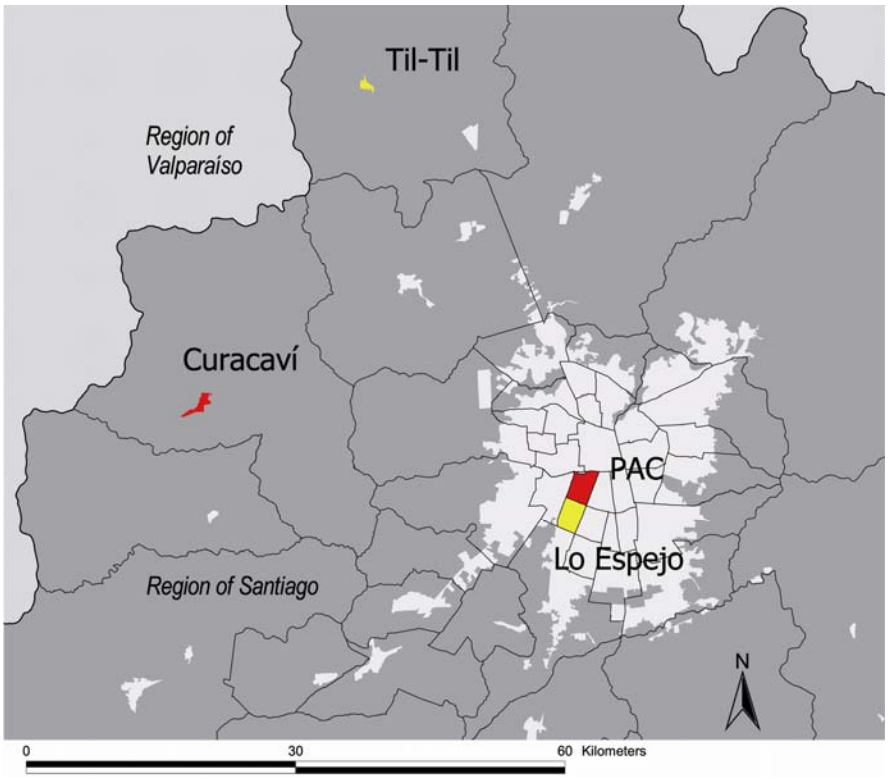


Figure 6.1. The two pairs of *comunas* on bid in the Metropolitan Region of Santiago, 2003

6.2.3. PAC municipality's interpretation of participation in the Master Plan

As established by the national Law of Municipalities (LOCM) it is the local government that has to select the best proponent for the elaboration of its Master Plan. PAC mayor explained in an interview that the municipality selected PULSO because it proved more experienced in spatial and development planning. Furthermore, Beatriz State, PAC Municipal Urban Advisor and, legally, the official technical municipal counterpart for the plan, claims the intention of PAC local administration was to be as inclusive as possible.

> If we didn't have a clear picture of our municipal territory, agreed with the community, how could we agree about the results? […] In fact, PULSO won the tender because they included such dimensions [of high levels of participation] and proposed a mechanism that seemed efficient to us. In contrast, the rest of the proposals just about met legal requirements, which are clearly limited and only consider people's perceptions once the project has been designed. Theoretically speaking, PULSO's model was fantastic. […] However, they [later] said they would work with representative actors only, not with the whole community. That seemed fine to us again, until they started to work here. Then we realised that the participatory process during the diagnosis would be really bad, because they didn't actually call the people.
>
> *EL: Why do you stress so much the consultants' responsibility, given that the municipality should have led this process?*
>
> No. What happens is that … and that's were the big mistake is: the municipality is only a counterpart, according to the Ministry's scheme. It is the consultant who has to do the job. The municipality is only a facilitator of their duty, and on the other hand we must supervise. So, that's when our conflicts [with PULSO] started, and obviously my reports [about them] were very negative. (Interviewed on 25 April 2007)

This position is not agreed by the regional office of the Ministry of Housing and Planning. Elvira Guerrero, regional MINVU Chair for Local Master Plans claims that the principal reason for the struggle over the new Master Plan in Pedro Aguirre Cerda was precisely the lack of well informed social participation during the initial stages of the plan. In her opinion, PAC municipality had a major responsibility over this.

We [regional MINVU] coordinate the channelling of resources, the whole process of public tender, we are the technical counterpart, but it is the municipality which has to take on the leading role in this process, because it is they who have to say in which direction PAC should develop. But they didn't take on that role, and they let the consultancy firm go alone at working with the residents. And finally, the municipality didn't like the outcome. Hence, they haven't recognised the whole job done. Now they won't accept it, so the situation is at present really complex. We'd have expected more direct involvement by municipal officers, but now we're at a stage in were the job is stalled, unfinished. (Interviewed on 10 April 2007)

Figure 6.2. Main Neighbourhood Units in PAC

Source: Own elaboration based on Microsoft Virtual Earth

As a report by Núñez (2006) indicates, in mid 2004, PAC's local community realised that PULSO's initial agenda of participation was insufficient (PULSO S.A. Consultores, 2005a) and possibly biased to include only specific neighbourhood units, identified *ex-ante* by the municipal apparatus as the 'friendliest' ones. Conversely, the municipality probably did not insist enough in inviting leaders from the more combative *poblaciones*, like La Victoria, José María Caro, El Esfuerzo and Nueva Lo Valledor (see Figure 6.2).

In a report released in August 2005, PULSO accepted their own initial reluctance to be more inclusive, clearly justified, as they claimed, by the thorny municipal electoral panorama of 2004 and even by the characteristics of PAC residents, such as:

> a) people's ignorance about what a master plan is and about the process of approval; b) the contents of a master plan are highly technical, therefore they should have been translated into a simpler language; c) a weak process of participation and information because it coincided with the local electoral process; d) the latter tended to politicise any activity in the *comuna*. (PULSO S.A. Consultores, 2005b: A4-1)

Further to this apparently technical decision, there is evidence to infer that the inclusion of PAC people in the preparation of the new Master Plan was not totally transparent. In a night chat programme of the La Victoria local TV station (see Figure 6.7), Eduardo Vilches, representing Neighbourhood Unit N° 13 'Union y Esfuerzo' (see Figure 6.2), claimed that the address of the venue where the hearing to assess PULSO's First Draft would be held, was incorrectly printed in the official invitations they received. In consequence, many attendees, as they complained later to him, had been directed into non-existent venues. During the same night programme, other leaders that attended those hearings (thus they received correct invitations) confirmed that there were not enough chairs, while "other essential facilities for professionally conducting the meeting were lacking" in those meetings. These should not be taken as irrelevant points. Social representatives invited to the programme agreed that those two elements were attempts, on the part of the local authority, to demoralise them and exclude them from the process[7]. However, these elements triggered – in advance – even higher levels of unrest among PAC community leaders. This evidence suggests that the municipality, acting

[7] Source: Night talk programme in local TV station "Señal 3 La Victoria".

through PULSO, was able to steer the process, including the selection of community representatives.

6.3. The rough way to produce a bottom-up Alternative Draft: reactivating a local history of struggle

6.3.1. A historical community mobilisation reactivated

By the end of 2004, PULSO had been working for over a year on the First Draft Master Plan, and the rezoning of the *comuna* had largely taken shape. However, at this time, this proposal was unknown to most grassroots representatives. This led to higher levels of suspicion regarding the imminence of land expropriations and consequently, evictions. Several neighbourhood leaders demanded from the mayor of PAC an official response to these fears. Mr. Saavedra, the mayor, in an improvised meeting with these representatives held in front of the council house in 18 May 2005[8], gave them assurances that, in PAC, there would be "no expropriations whatsoever". However, PAC leaders saw blurriness and inconsistency in Mr. Saavedra's discourse.

The reasons for their scepticism lay in the fact that the use of expropriations, as defined by the norm contained in the National Law of Planning and Construction (LGUC) is warranted in cases of public interest, such as when a new master plan includes a new open space, or widening a road. Article 59 of this law states that urban plots may become 'frozen', from the moment a new master plan is approved, if the plot is "affected by declaration of public interest and awaiting public expropriation or acquisition proceedings, it will be not permitted to increase the volume of the buildings existing at the date of approval of the respective master plan, in the affected part of the property in case the expropriation declaratory [partially covers the plot]." (Gobierno de Chile, 2007a: 4.1) Conscious of this legislation, Claudina Núñez, social leader from La Victoria and at the time Local Councillor in PAC, opines that:

[8] Also broadcasted by local TV station La Victoria.

> [The municipality] said we [PAC social leaders] were just scaring people, as no plot in PAC would be expropriated. But obviously there would be lots of expropriations! They were widening streets: *30 de Octubre* street would be joined with its parallel, *Paseo Groher*, thenceforth a whole row of houses would disappear, from *Galo González* street to here[9]. And in *Histórica de Chile* Neighbourhood Unit, *Club Hípico* street was to be widened towards the east up to *Manuela Errázuriz* street. Therefore, two passages were also disappearing. Other streets were disappearing too in Villa Sur *población*. And in San Joaquín *población*, some residential areas were being rezoned to commercial use. That meant that those social dwellings would be easily subject to expropriation. Densities considerably increased everywhere. All of that was the consultants' [First] Draft. (Interviewed on 31 March 2007)

The initial statement by the mayor, that there would be no expropriation, had to be soon rectified through a municipal statement. The contradiction with the First Draft, that was starting to be known by the community, was evident. A crucial meeting was organised by the municipality, restricted to no more than 13 community leaders, to present publicly the First Draft Master Plan. The meeting was scheduled for 28 May 2005, in the facilities of Risopatrón School, located in the south-western corner of PAC. Berta Alarcón, social representative from Neighbourhood Unit N° 8-H 'Nueva Lo Valledor' recalls what happened in that meeting:

> When we knew they would be having a workshop about the Master Plan, aimed for 12 or 13 people, we spread the word among leaders and we rushed to take possession of the place, bringing along residents from all of PAC's corners. […] The municipality was outraged, given that their logic has always been to work by stealth. [But instead, through our intervention] this process became much more coordinated. [In subsequent opportunities] whenever PULSO was presenting their plan we were present. And what happened is that the people usually opposed their ideas. (Interviewed on 11 May 2007)

The massive attendance to Risopatrón School that evening was broadcast in detail by channel 3 TV La Victoria (see Figure 6.3). A social leader from this *población* recalls the conflictive meeting as follows:

> When the first meeting began, everybody was going there, even carrying children. We were about three hundred only[10]. But when [PULSO] spoke there were thousands of us

[9] She refers to the *ensanche* intervention in the very centre of La Victoria, as seen in the First Draft proposal, shown in CHAPTER 5, Figure 5.7-B.

[10] PULSO counted between 500 and 600 attendees that evening (PULSO S.A. Consultores, 2005b).

speaking in response. [PULSO's chair] was very worried, and she told us she was just under contract. (Interviewed on 26 March 2007)

Figure 6.3. Images from the meeting in Risopatrón School in 2005

a) General view of attendees. b) People asking about the feasibility of expropriations. c) Claudina Núñez demanding explanations to the municipality, with PULSO technicians standing at her back. Source: a) PULSO; b-c) TV local station 'Señal 3 La Victoria.'

That was the first time PULSO would face, at a mass scale, a group of people from the 26 neighbourhood units of PAC. Just after the meeting, most people rejected PULSO's First Draft since it was understood to be conceived from "a perspective exclusively technical and arising out of external objectives which neither considered the local

identity nor the needs of the community" (Núñez, 2006: 1). As observed in CHAPTER 5, the proposed rezoning would intervene heavily in four areas of the *comuna* (from UR-1 to UR-4) yet "without a global vision of the territory" (Ibid).

Nonetheless, the evidence suggests that, at this point, the PAC community was unprepared, disorganised and had little technical knowledge to face the authority. But soon after the first face-to-face on Risopatrón School had taken place, the leaders from La Victoria requested political advice from the head of the Communist Party, and technical support from the Chilean Architects Union, a professional NGO called Sur, and the private architect Mario Álvarez. These external supporters were instrumental in technically enhancing PAC people's capacities toward the constitution of a collective counter-proposal, which would be partially synthesised in PULSO's final proposal as discussed at the end of the previous chapter.

6.3.2. A politicised movement?

When I asked Gilda García – Municipal Director of Construction, a highly experienced and influential officer within PAC municipal apparatus – why PULSO's First Draft was rejected by the people of PAC, she explains:

> We had an idealistic project that we thought might work well, but when the time of citizen participation came, this project was taken quite politically by the people, and they dismantled it. […] It was bad luck. […] The firm didn't have enough experience in the issue of citizen participation either, although they had experience in PLADECOs[11]. […] Yet a PLADECO is quite different from a master plan, because when you ask people to 'dream', that's quite nice, but when you tell them: 'look, this road is going to be widened', well, then things become totally different. And La Victoria was considered [by PULSO's first rezoning proposal] as a centre [for intervention]. Since la Victoria doesn't have a single square metre to breathe in, PULSO proposed that there should be a square there, but that idea was not accepted by people from La Victoria. And all that PULSO had thought for the rest of the areas of PAC didn't work either, because La Victoria's people resolved to meddle in every assembly where PULSO was attempting to explain what the plan was about. […]

[11] Local Development Plan. See Appendix 11 for definition.

I think at the stage of citizen participation, when you expect people will take [the spaces of participation], you can't expect they will accept what you believe, or give you the answer you want. But this [mistake] was precisely what PULSO fell into. Therefore, when you want to transmit an idea to people, you need valid counterparts, someone that can understand you and can explain to people in their own language and look after their interests; but that wasn't done here. Instead, the plan was explained in a technical language, in a big assembly. But, how can you expect to explain an area is to be expropriated in the middle of La Victoria to a group of 500 people? You can't expect it to be a successful workshop! […] People took very badly the issue of expropriations. Nobody thought that their houses might be expropriated but they would receive, maybe, an apartment [in exchange]. People saw expropriations just as their houses being taken away from them.

EL: but that's natural, due to the connotation the word 'expropriation' has had for a long time…

It's linked with the idea that you have to leave [the place] and have no right to anything [in exchange]. But if you think further, everything is a matter of terminology. Maybe PULSO didn't have the space to explain in greater detail what this process means and how it would be. Moreover, maybe the process [of expropriations] would never exist and everything will end just as a plan, but there was not such clarifying instance. And there was nothing more to do because the issue had already been politicised. Everything technical that might be said afterwards would be taken politically. […] Personally, I don't feel responsible for this at all, because I told PULSO that they could not explain these points to the people in a large assembly. But a professional, a sociologist working for them, told me: 'madam, please leave this thing to us, the professionals.'

I've been working for 20 years as Director of Construction and I know these people! I'm not trying to be pejorative, but if you want to explain something to these people, you have to do it three times, you have to expect they will not understand all you want to say the first time. Not only people from La Victoria, but everyone, when you address them in a technical language. […]

EL: But trying to be as objective as possible, PAC people's discourse was quite strong, and I don't think they were ignorant: they were being advised by the Architects Union.

In that case they were poorly advised! More than anything else, they asked for political advice. And I don't think the Architects Union agrees with this Final Draft we have got now. It's bad. It's not going to trigger any urban development in our areas.

EL: What do you understand by urban renewal?

> It must be participative, looking for ways to make participation effective.
>
> *EL: What do you understand by participation?*
>
> That people understand and are absolutely in agreement with what is going to be done. That they understand that the risks benefit them totally. That they understand this very well.

Mrs. García claims essentially two things: First, that it is relatively improbable that low-income people can grasp all the implications arising from implementing a master plan, given their limited technical preparation. Second, that the grassroots did not have the capacity to understand the conceptual difference between a territorial master plan and a simple 'architectural project'. In the way she explained this, a plan implies a certain set of potential situations that could be turned into reality or not, whilst a project is the representation of a built structure to be materialised. The mistake PAC people apparently fell into was the misinterpretation of the First Draft's structure as a factual situation, an imminent process of expropriations, and not a potentiality.

According to her, a second reason for the failure of the First Draft was that PAC people let themselves be involved in a too politicised, negative approach to the plan, closing the door to further objective discussions about possible and necessary expropriations, even if they had benefited them. The influence of La Victoria was key for leading the rest of the grassroots' reactions, and this situation conspired against the (otherwise) normal development of the further instances in the production of the plan. She summarises PAC municipality's official explanation of why the process, at a given point, escaped from their hands.

In fact, most municipal and regional MINVU informants agree with the idea that the process of production of the Master Plan in PAC was 'politicised', actually meaning the unbalanced relation between leaders of La Victoria and the rest of the communal representatives, and the involvement of the Chilean Communist Party at some stage of it, as a way to destabilise the process (see Figure 6.4). The evidence shows that both elements are effective and could be observed during the fieldwork. Yet, according to the official interviewees, this destabilisation was supposed to have been conducted through the appointment, by the party, of communist professionals, seeking to help communist

local leaders to instrumentalise the rest of PAC grassroots' reactions. Since this is a matter of some speculation, it deserves further treatment.

Architect Mario Alvarez was directly blamed by the municipality as one of the links between the Communist Party and the grassroots of PAC. In an interview given to me, he confirms that the grassroots of Pedro Aguirre Cerda could have become, at some point, a mere instrument used by the Communist Party to take over the municipal government, but at the end of the day, this did not happen. In fact, there was disagreement inside the Communist Party regarding this point.

> A meeting was organised in the Victor Jara Cultural Centre, only for communist social leaders. Once there, a strange situation happened: a conflict between communists. Councillor Araneda[12], a guy with a respectable trajectory because he once was major of San Miguel, and a communist, tried to use the master plan struggle as a political-electoral juncture, in a more subtle way, for seizing by stealth the municipality's direction. But Claudina Núñez firmly demanded that this process should be opened to the whole PAC community. This meant that such information should be released to the public and be disseminated. It was a meeting of 20 or 30 people, and […] when the time to vote came, Claudina's proposition won. (Interviewed on 11 April 2007)

What Mr. Alvarez claims is that there may have been higher levels of autonomy and political independence among PAC grassroots than those the public sector is willing to accept. Of course there was political influence exerted by the communists, especially those from La Victoria, and to a lesser extent from *población* San Joaquín, over the rest of PAC leaders and the people. This influence sought to oppose PULSO's First Draft and take control of the process. In fact, some PAC neighbourhood representatives even withdrew from the process of participation (from 'Villa Numancia' and 'Histórica de Chile' neighbourhood units) [13], arguing that they had been quietened by the radicalised mainstream. Nonetheless, all in all, the political influence in PAC grassroots came from legitimately elected local representatives, not decisively from the Communist Party apparatus. Moreover, it seemed logical to many interviewees that Mrs. Núñez, who was

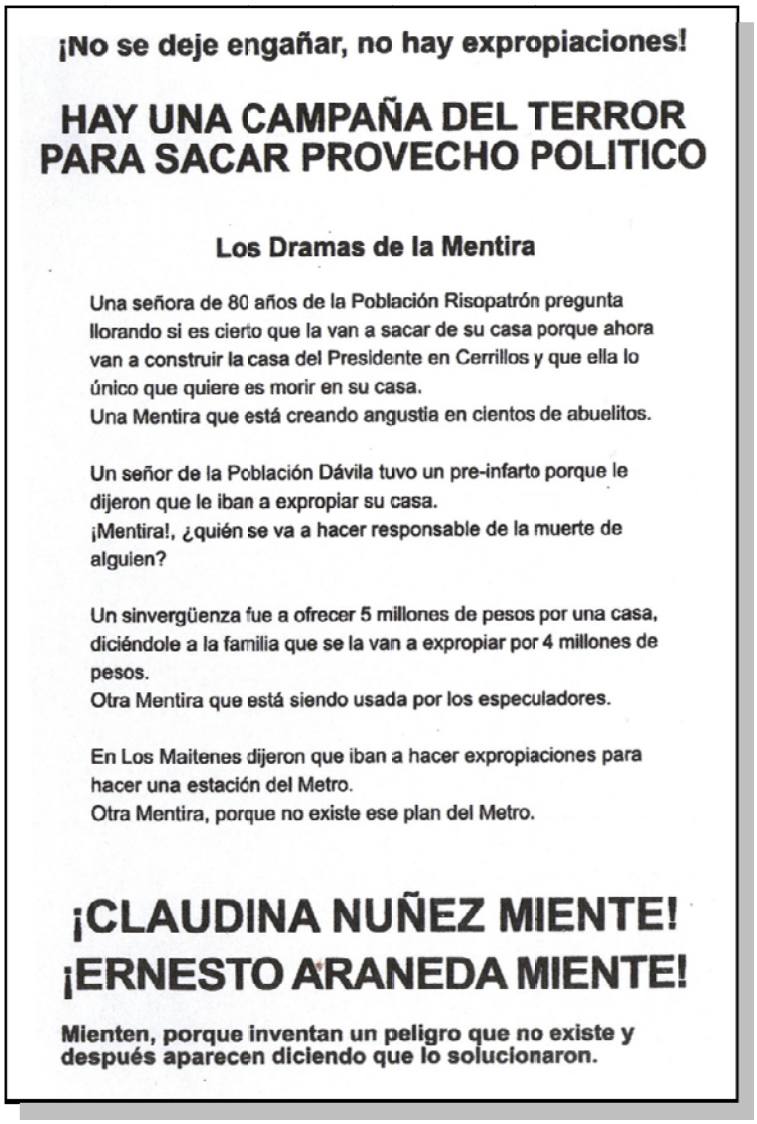
[12] I tried to interview this actor but he was inaccessible.

[13] When I interviewed these representatives, they showed agreement with the First Draft master plan, arguing this was much needed a change of social status and opportunity for physical and infrastructural improvement in their *poblaciones*. Yet these were only three leaders, from a total of 16 social representatives interviewed.

possibly running for the mayoral elections in 2008, still needed to legitimise herself as an effective grassroots political leader with chances to win the next election. She needed to prove she was representing the whole PAC community and not only her closest left-wing supporters from La Victoria. Besides, her high level of technical knowledge regarding this specific case has been largely accepted by most PAC grassroots informants interviewed, and even by some governmental officials.

Moreover, the difficult relation between the municipal technical apparatus and mobilised local communities should not be exclusively attributed to this single case. Much less is it a matter of conflict between the social-democratic party the mayor belongs to (the PPD, currently part of *Concertación* [Concerted Action], the governing coalition of the country; see Appendix 1-Glossary) and the Communist Party. The great majority of the grassroots interviewed made evident their rejection to the mayor's and his technical officers' modus operandi. Some even accused certain municipal officials (including the mayor) of corruption, bribery and even alliance with PAC local drug mafias[14]. In many senses, the conflict experienced in the process of rezoning was to some extent a climax in an already long process of political/social deterioration that has taken place since the mid 1990s.

[14] Although corroboration of these grave accusations lies beyond this research, it seems that they originate in negative personal perceptions of the mayor, reflecting the considerable level of detachment between PAC governmental apparatus and the people.



¡No se deje engañar, no hay expropiaciones!

HAY UNA CAMPAÑA DEL TERROR PARA SACAR PROVECHO POLITICO

Los Dramas de la Mentira

Una señora de 80 años de la Población Risopatrón pregunta llorando si es cierto que la van a sacar de su casa porque ahora van a construir la casa del Presidente en Cerrillos y que ella lo único que quiere es morir en su casa.
Una Mentira que está creando angustia en cientos de abuelitos.

Un señor de la Población Dávila tuvo un pre-infarto porque le dijeron que le iban a expropiar su casa.
¡Mentira!, ¿quién se va a hacer responsable de la muerte de alguien?

Un sinvergüenza fue a ofrecer 5 millones de pesos por una casa, diciéndole a la familia que se la van a expropiar por 4 millones de pesos.
Otra Mentira que está siendo usada por los especuladores.

En Los Maitenes dijeron que iban a hacer expropiaciones para hacer una estación del Metro.
Otra Mentira, porque no existe ese plan del Metro.

¡CLAUDINA NUÑEZ MIENTE!
¡ERNESTO ARANEDA MIENTE!

Mienten, porque inventan un peligro que no existe y después aparecen diciendo que lo solucionaron.

Figure 6.4. Text of an anonymous pamphlet that circulated in PAC in early 2005

Source: Claudina Núñez' archives.

TRANSLATION:

Don't let them fool you, there are no expropriations!

THERE IS A TERROR CAMPAIGN SEARCHING FOR POLITICAL GAIN

The tragedies of this lie:

An 80 year old lady from Risopatrón *Población* asks, in tears, if it's true that she's going to be evicted because the President's House is going to be built in Cerrillos [CPB] and she just wants to die in her house. This lie is creating distress among hundreds of our old residents.

A man from Dávila *Población* had a pre-heart attack because someone said his house would be expropriated. This is a lie! Who is going to be responsible for all these deaths?

A crook offered 5 million Pesos [240 UF, or US$ 9,000] to a family for their house, claiming that it would be otherwise expropriated for $ 4 million. Another lie being used by speculators.

In Los Maitenes *población* someone said there would be expropriations in order to build a Metro station. Another lie, because such Metro plan does not exist.

CLAUDINA NUÑEZ LIES!

ERNESTO ARANEDA LIES!

They lie, because they invent a danger that does not exist, so later they can claim they fixed it.

As an example of bad practice from the municipality, Figure 6.4 shows an anonymous pamphlet that circulated in PAC in early 2005, blaming local leader Claudina Núñez and Councillor Araneda for terrorising the local population, especially old people, with the threat of expropriations. The pamphlet clearly states there would be no expropriations whatsoever. It further accuses Mrs. Núñez and Mr. Araneda of taking political advantage of this ploy. Although it is anonymous, La Victoria community leaders believe this pamphlet might have been drafted by someone in the municipal government, because of the level of information demonstrated and the fact that it focuses only on these two actors.

6.3.3. The resources of the grassroots

After the event in Risopatrón School had taken place, and led to a technical counter-proposal, three resources were utilised by the grassroots of PAC to foster citizen participation. Firstly, regular workshops initially organised, and later just propelled, by La Victoria leaders and PULSO technicians. These helped ordinary people keep up to date with the plan aims, and form their own opinion (highly influenced by La Victoria leaders, though). A second resource was La Victoria local TV Station 'Channel 3' and its uninterrupted, though illegal broadcasting[15]. In 2005, in at least three long evening talk programmes, technical and political topics related to the rezoning were discussed (see Figure 6.5). The third resource was the support from the following professional external actors:

1. *SUR Profesionales*, one of the most consolidated NGOs in Santiago focusing on urban development issues, of social-democratic orientation. Currently it advises the central government and MINVU on housing policy issues. The long-dating connection between SUR and some community leaders from Pedro Aguirre Cerda, especially Claudina Núñez, was vital, since she is a graduate of SUR's Programme in Community Leadership. Other grassroots leaders like Gloria

[15] The Chilean law of telecommunications bans independent local TV and radio broadcasting (Villagra, 2009). A draft new law is being discussed currently in the national Parliament that might allow these forms of social broadcasting (Walder, 2009).

Rodríguez and Luz Castillo attended the programme during 2003 and 2005[16]. Their higher level of preparation, obtained through these studies, is one of the causes these three actors were the most influential among grassroots leaders in PAC at the time.

2. *Mario Alvarez*, an architect and a planner, and member of the Communist Party. This advisor was the most deeply involved during the elaboration of the bottom-up proposal. Under his guidance, the community's alternative proposals took more concrete shape in a draft text, and he was assisted by his 3rd year undergraduate students from Metropolitan University, School of Architecture. The latter were instrumental in guiding the community workshops in almost every neighbourhood unit.

3. *Colegio de Arquitectos de Chile*. PAC leaders received initial advice from Architect Francesca Clandestino. She first oriented La Victoria leaders about the meaning of a master plan, indicating also crucial aspects to solve, such as the north-south railway that divides the *comuna*.

Ten joint workshops where agreed between PULSO and PAC leaders, to be held between June and July 2005. These meetings sought to disseminate and debate the Draft Master Plan, and were organised in a much more participatory fashion. They ran in parallel with PULSO's own development of the final version of the plan, and were aimed by the consultants at providing the social feedback they lacked in their initial attempt. But hitherto, leaders from La Victoria had produced several copies of a CD containing PULSO's First Draft, with additional information provided by Councillor Araneda, and distributed the information among the rest of the neighbourhood units. With this information in their hands, additional workshops were developed in almost all PAC neighbourhood units. In these meetings, everyone interested in participating could analyse the consultants' proposal, supported by professionals and a team of students.

[16] See Appendix 5 for list of interviewees.

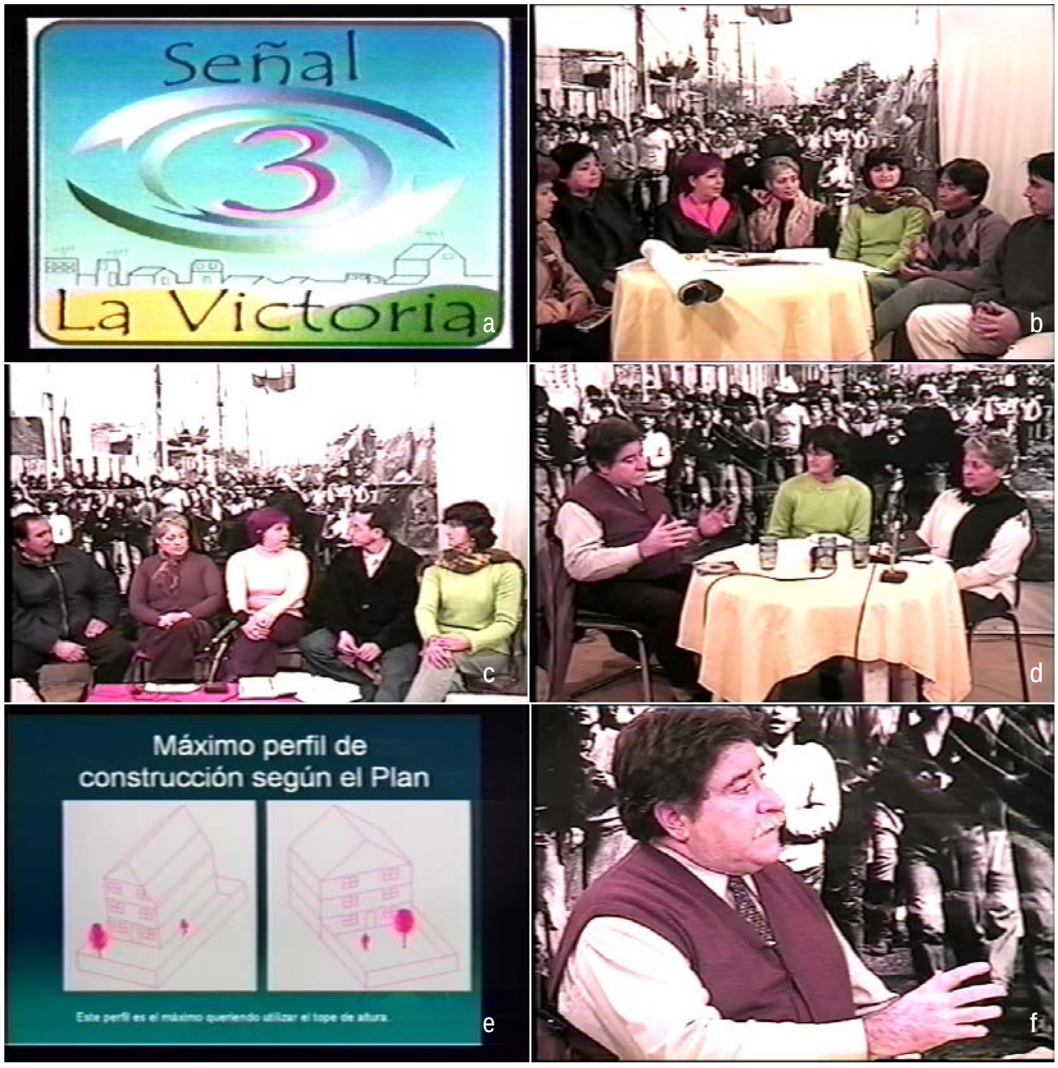


Figure 6.5. Three different night talk programmes in La Victoria TV local station

b-c) PAC people debating the implications of the rezoning in two opportunities; at the centre of image c) is LV leader Gloria Rodríguez. d-f) Mario Álvarez explaining graphically technical aspects of the rezoning related to building regulations. Source: TV local station 'Señal 3 La Victoria.'

In early July 2005 the global proposal was ratified in a communal general assembly by PAC residents. This is the one analysed in section 5.4. In late July, the communal Alternative Draft was submitted to PULSO, regional MINVU, the municipal government and the local councillors, in order to have these community proposals considered, before readjusting and approving the plan by the local and national authority (PAC Community Leaders, 2005a).

6.3.4. Current status of the plan: stalled!

PULSO claims they submitted the plan to the municipality and the regional office of the Ministry of Housing and Planning (MINVU), containing many of the changes the grassroots of PAC introduced. Yet, up to 2009, the municipality has not made the outcome of the process available to the public. The plan is currently stalled. These actors reckon it is illegal that the municipality of PAC keeps the plan for themselves. Moreover, there are financial implications involved: the municipality has not yet approved the release of final payments to PULSO.

Mirta Lagos, a well informed neighbourhood leader from *población* Ochagavía, gives evidence about PAC local administration's reluctance to release the final outcome of the project to final approval:

> The municipality have put so many obstacles for the constitution of CESCO[17]… [… F]or instance, we were told that a notary had to be provided by the municipality [for legally constituting CESCO]. They also demanded a minimum quorum of associated members only from legally recognised social organisations, and the 50% plus one must have participated in the last election of Neighbourhood Committee's representatives. Yet [the municipality] has never shown us in which law all these things are said. And the problem is that they contradict the Neighbourhood Committees Law, which says that resolutions [regarding local urban development] can be taken just by simple majority. I've requested so many times to see the [supposed] rule they're applying, but I haven't had any response from them. If that's written somewhere, alright, but if it's not, there's no justification [for not constituting CESCO so far]. And if we had CESCO constituted, our [Alternative Draft] proposal could be much more officially channelled. [This is why I insist] it is fundamental to constitute CESCO now.
>
> *EL: This resistance from the municipality to constitute CESCO amazes me.*
>
> [I]t is a fact that they try to weaken the social organisations here. A covert intention, I'd say, from the municipality. And in the meantime they are also co-opting people through gifts, day travels… a cake for old ladies in mother's day, free tickets for the municipal swimming pool in summer, a circus and so forth. Unfortunately, many social organisations are happy with those gifts, and they even consider the mayor to be a good guy. […] But people are rather being used for electoral ends. Although mayoral and

[17] Local Economic and Social Council. See 6.2.1, c).

> council elections are scheduled for late 2008, they already started campaigning through this kind of things. (Interviewed on 9 May 2007)

Mrs. Lagos' words are in total accordance with the current Neighbourhood Committees Law (SUBDERE, 1997)[18], regarding its definitions about participation and decision taking. Effectively, PAC municipality might have been breaking the National Law of Planning and Construction and the Law of Municipalities, since it has not called for the legal constitution of CESCO. Furthermore, as seen in sub-section 6.2.3, there is considerable pressure from the central and regional government on PAC municipality to release a final resolution regarding the Master Plan. The $76 million Chilean pesos invested by regional MINVU are being compromised by this stalled situation. My personal impression in the field was that this failed process of rezoning was perceived by regional MINVU as a stain, a regretful pitfall, in their self-confessed, generally efficient performance in local planning issues. As Javier Wood, largely experienced regional MINVU Chair of planning claims:

> I've never seen a master plan where all the actors agree. I think master plans are social agreements and an opportunity to sit around a table and find an agreement, but everybody must yield a bit. […] I'm not fine with this municipality which doesn't want to release the plan. We put much investment in it. […] Nonetheless the final decision belongs to its mayor and its local council. In my opinion, it is much better to have a master plan than not having it. (Interviewed on 19 March 2007)

6.3.5. The evaluation of the process by PULSO

Architect Clara Arditi, both PULSO's head and the architect in charge of PAC rezoning, gives a general evaluation of the process seen from the perspective of the consultants. The emphases in the quotation are added by me:

> [La Victoria has] a whole history in the *comuna* that I much respect but I also think they have gone against any possible evolution they might have had in the *comuna*. […] La Victoria is a territory where nobody enters, it is a territory that *does not want a change* and also there is a political issue here. I mean, with all my respect to a woman like Claudina and her leaders, who initially were very reactive against this process… because

[18] See CHAPTER 3 about this code.

> it is understandable: they have been historically ridden over roughshod and suffocated. It has been really hard for them to obtain what they achieved, it has been really hard for them to obtain a dwelling, a space… well, that has been outcome of a struggle and for that reason this place is a *vacuum* they don't want to lose. But you enter La Victoria and it is, from the point of the urban development, *a total failure*. We are talking about dwellings spontaneously generated with some state support; they might have consolidated some spaces but *there isn't a single public space there*, passages are tiny, they have null connection with the rest of the *comuna*, they don't have urban facilities. It is *a very perverse system* that has been somehow also supported by the authorities. There some strange things happen. [… B]ecause neither have they managed to generate an integrated *comuna*, which was our goal. It was ultra necessary this integration, otherwise *no alternative way [to development] is possible* and that integration had to be produced by generating a social process. Unfortunately, there are forces there that started to oppose these changes. Why? Because there is too much suspicion, because [grassroots] think external consultants are property developers who will take out their spaces and so they will be expropriated. We can understand that.
>
> But many people remain stuck to those original perceptions and do not establish other kind of relations of trust with us, the aliens, and I can understand that too. This issue of social participation and local master plans is new [for them], it had been never implemented [before in PAC]. They were never asked, nobody asked for their opinion […] Thus we went there, trying to establish a different process and that's really hard to do. For that to happen there must be a very strong triangulation and a very strong policy from the municipality, from the consultants, from the own society, from the territory… When those conditions are inexistent, there is no possible articulation. It just didn't happen! […] There was stubbornness from both the municipal structure and the social structure. Nevertheless, we were far better valued by PAC society than by the municipality. […] Specifically, we were successful no matter what the failures of the Master Plan were, in terms of citizen participation. From the point of view of power, we succeeded in coming closer to [the people] because we made it for as nobody else had done before, and then we started to work area by area, and one of those was La Victoria. […] When we could penetrate a bit they opened the door to us and worked with us. (Interviewed on 10 May 2007)

Mrs. Arditi clearly values as positive PULSO's experience in working with PAC's community, and she also addresses as legitimate PAC's people's initial rejection of the rezoning process. She also blames the municipality for not giving enough support to the process of planning and withdrawing from it. Yet, her view is also equally critical of (and gives same responsibility for the failure of the plan to) the local population, especially the leaders of La Victoria *población*.

This experienced architect and planner categorically delivers a series of statements about this *población*, such as: it "does not want a change", it is a "vacuum", "a total failure", "there isn't a single public space there", it is "a very perverse system", no "alternative way [to development] is possible" there. It would be strange that the use of these concepts is involuntary. Instead, to some extent, it might reveal her interpretation of PAC local space as a blank canvas whose urban structure must be radically recomposed and re-imagined. This stance is close to several aspects of 'entrepreneurial' planning rationale (see definition in CHAPTER 2).

I asked La Victoria leader Gloria Rodriguez why La Victoria people were reluctant to the proposed 'renovation square' planned in the middle of the *población* by PULSO, and she answered: "What do we want more squares for? For our children to have another place to take drugs? And at the cost of sacrificing houses?"

She touches the point if the whole rationale of urban regeneration – underpinned by the broader official discourse of securitisation and eradication of drug dealing in the peri-centre – considerably contradicts the fact that what La Victoria less needs at present is more visually uncontrolled, large scale open spaces. Narrow streets and small squares might be subject of criticism by most architects, but at least they seem to have proven means for social control and invigilation by the *población*'s own community.

6.4. Chapter conclusions: summing up the process

During the process of struggle, the local community's agency overcame the structural limitations to citizen participation contained in the national Law and By-Law of Planning and Construction, LGUC and OGUC respectively, and the unilateral application of those codes by the municipality. These edicts prescribe that citizen participation in processes of master plan redrafting should take place only for a limited time, after the Draft has been produced. However, the law allows municipalities to voluntarily have participatory instances at earlier stages, and MINVU recommends this. Neither PAC municipality nor PULSO seriously attempted to do so.

Great responsibility may fall on the consultancy firm PULSO for the mismatch between the new zoning proposed in the First Draft and the actual local socio-spatial structure of PAC. From a purely technical perspective of planning, it may seem clear that, in densely inhabited *comunas* like PAC, to count with direct grassroots' feedback from the initial stage of diagnosis is a must, not just for envisaging plausible paths of urban development but for identifying the most sensitive aspects related to urban renewal, which can be indicated by the local community. This case shows that to pretend to conduct purely technical, de-politicised processes of urban planning, in territories like Pedro Aguirre Cerda, may be inadequate. Yet it is almost impossible not to see institutional liability in this problem too. PAC municipality, from the beginning, imprinted an entrepreneurial agenda for large scale urban renewal in the process of master plan elaboration. And it seemed clear to the grassroots leaders of Pedro Aguirre Cerda, since the first glimpse they could have in Risopatrón School, that PULSO's first priority was in accordance with those lines.

The evidence collected in the field confirms this. When I interviewed PULSO's chair officer, she hinted some normative ideas of what a better-than-existing space must be. Although she has a technically informed discourse, her perception of La Victoria as a highly deprived space seems to reveal a limited understanding of the economic and social reality of that place. This could also be seen in the municipal Director of Construction who, to a great extent, defends the municipality's radical perspective to urban redevelopment. Moreover, the latter official's normative (and somehow authoritarian) approach to social participation reveals to what extent there is a moral appreciation from PAC municipality in regard to the local inhabitants. This could also reveal some degree of class bias[19].

There seems to be sorts of methodological responsibility from the regional office of the Ministry of Housing and Planning (MINVU) too. Since the 1990s, the Chilean state at regional level has insisted on basing planning processes on the intervention of external technical teams. This is part of the model of state rolling out initiated during the 1980s by the dictatorial regime of the country (1973-1990). But this experience reveals that processes of rezoning in certain socially sensitive spaces, like PAC, in times of

[19] None of the interviewed PAC municipal officers live in the *comuna*, but in upper-income areas in the eastern *Barrio Alto* of Santiago. The same applies for PULSO's chair, Mrs. Arditi.

democracy, cannot be simply left by the central authority to the criteria of external private consultants, many of whom seem to have constrained resources, including time, to afford them a deeper insight into the historical contradictions in the local spaces they are supposed to help plan. Moreover, to isolate the parallel processes in PAC and Lo Espejo made this specific political situation even less favourable. This may reveal that a more and better informed central state supervision is required, especially if the supposed central state's goal is to articulate economic and social development together in all the *comunas* of Santiago.

However, from the perspective of the local leaders interviewed, the outcome in PAC was in many ways an achievement. Their counter-proposal, despite its technical limitations and the fact that it is not entirely accepted by the consultants, could be highly influential in the elaboration of PULSO's definitive version. However, in terms of the motivation of this social reaction, both public and private institutional actors agreed to assign key responsibility to the radicalised stance by the grassroots. In effect, the evidence cannot rule out totally that there may have been potential electoral benefits for Left parties in PAC[20]. Yet, equally and probably more decisively, it should not be disregarded that the people of Pedro Aguirre Cerda were inspired by justified concerns.

For one and a half decades, PAC residents had relentlessly seen the cases of San Miguel's renewal and more recently *Ciudad-Parque Bicentenario* as two close examples of fast and large scale renewal. With PAC located in the middle between the two, local people could understand what happens when local spatial regulations are abruptly liberalised, and how much ground rent they could be dispossessed from if some of the speculative logics of the market of urban renewal they see in San Miguel *comuna*, such as the dilapidation of certain areas due to deliberately vacant plots, enters into PAC. Furthermore, as seen in chapters 4 and 5, most households in PAC are multi-nuclear, making the currently low capitalised ground rent clearly insufficient in use value terms for those numerous, agglomerated households.

[20] In 2008, Claudina Núñez become the first communist mayor in PAC's short history. This time she was politically supported by a strategic national alliance of the Communists with the national ruling coalition *Concertación* (La Nación, 2008). The evidence available cannot confirm whether she won this time because of her successful performance as PAC neighbour leader during the master plan rezoning or because of this first-time centre-left electoral alliance in the last 20 years.

A central historical-political point lies here, and this is PAC people's right to land occupation. Chapters 3 and 4 showed how the peri-central space is much older and more socially consolidated than most peripheral and central areas of Greater Santiago. Given that many working-class urban *poblaciones* were politically and militarily targeted in times of the dictatorship – La Victoria *población* has a special memory of this (Finn, 2006b; Lawner, 1984) – those who stayed there consider their location as part of their political heritage, inherited from almost two decades of fighting military state power. In consequence, most grassroots I interviewed believed the current democratic state – either at municipal or national level – has the obligation to preserve that right.

By contrast, what PAC people saw at this stage was an attempt by the municipality to violate that social contract, a form of land dispossession by legal ways. This is because almost every PAC resident is a legal owner of their property, and a vast majority have already fully paid their mortgages. The process of plot regularisation in PAC is long dated, since the time of the military dictatorship. Thus, currently, in Pedro Aguirre Cerda, around 80% of residents own a single plot of land, or at least a flat built by the Housing Corporation (CORVI). Hence the only form of dispossession seen as feasible was land expropriation. CHAPTER 5 showed that PULSO's First Draft implied several massive expropriations, and the central state also has compulsory purchase power in cases of 'public interest' (Gobierno de Chile, 2007b). Therefore, were the First Draft approved, the National Law of Housing and Planning would have given compulsory purchase powers to the municipality or, conversely, to sectoral and regional bodies like the Ministry of Public Works or the Housing and Development Service (SERVIU), to undertake those expropriations at any time.

PAC leaders seem to have understood well which obstacles had to be overcome, in order to get more participation in preparing the plan: first, the constraints on citizen participation prescribed by the Chilean law; second, how to technically control the increases in potential ground rent through policy mechanisms. The evidence suggests that the high ability of PAC community to perform changes comes from the technical knowledge their leaders received from external parties. But this knowledge was also strategically filtered down toward the grassroots. Had this not happened, and had the negotiations been restricted to technicians and the local leaders, it would have been extremely difficult for PULSO to include the various demands coming from the various

neighbourhood units and validate its final proposal. At some point, the radicalisation of the process fostered by the leaders of La Victoria *población* (especially Claudina Núñez, in her supposed search for electoral gain) may have helped PULSO to arrive at a relatively consensual outcome, because the communist grassroots leaders used already existing levels of politicisation to increase social participation and inform the residents about what was happening with the Master Plan.

A relevant point to note is the high level of organisation and political and technical effectiveness to keep within legal boundaries, shown by the grassroots of PAC during their struggle. CHAPTER 3 addressed the historical dialectic of exclusion and repression during the first half of the 20th century experienced by the urban poor in Santiago, the events of April 1957 that created the conditions for the seizure of the land in what is today La Victoria, and even the long periods of fierce protest and repression experienced during the military dictatorship. These are examples of effective social mobilisation undertaken by working-class actors, but with a character that – at those times – was always defined by the government and the bourgeoisie as 'illegal', and so they were heavily repressed. In contrast, the current struggle by the people of Pedro Aguirre Cerda showed a different approach, marking differences with the methods and resources used in the past. The methods used in 2005 could in fact be defined as 'bourgeois': No violence was exerted, and practically no organised demonstration was conducted. Most of this should be explained by the high rates of homeownership in PAC. The process of mobilisation in PAC stayed most of the time within legal boundaries, and instead of simply opposing to the rezoning, the grassroots forced PULSO to deliver a Final Draft much closer to their own assessments and convenience as owner-occupiers.

Nevertheless, PAC people's power has many limitations and one of those is that they do not have the capacity to overcome PAC municipality's internal bureaucracy, nor can they influence the higher administrative spheres of MINVU apparatus. The control people can exert over the local council is also limited. For this reason, the final resolution of the plan has not been clarified and the local Council has not encouraged a final resolution to the plan. At the time of writing, the outcome of this process of citizen participation is unknown and its implications are not easily determinable. Although PULSO delivered the plan to the municipality for approval, this has not facilitated the

dissemination of this information to the local people. Instead, it stopped the process and prevented the knowledge of its outcomes by PAC people and even the regional MINVU authority.

CHAPTER 7. Policy-driven devaluation of Capitalised Ground Rent in the southern peri-centre of Santiago

7.1. Introduction

The previous two chapters illustrated, from an economic and a political perspective, the nature and the context in which Potential Ground Rent (PGR) was attempted to be produced in Pedro Aguirre Cerda (PAC) *comuna* between 2003 and 2005. As CHAPTER 6 revealed, that production was not free of social struggle, since PAC's grassroot actors were motivated not only by the potential loss of capitalised ground rent and expropriations, were the market of large-scale urban renewal to trickle down to their *poblaciones*, but also because the municipality's approach to the new plan was not allowing small scale housing upgrading and in fact limiting it.

In theory, a local urban Master Plan, through guidelines such as small minimum plot size, enlarged maximum building length, or higher percentage of abutment could allow small owners to legally extend their dwellings, horizontally and/or vertically, helping them to improve the use value of those properties. If small scale dwellers operate under the law, they could also receive municipal assistance and apply to the several forms of national state subsidy for social housing upgrading, especially the *Fondo Solidario de Vivienda* programme (discussed below). These factors may be influential at the time of increasing building values (BV), and hence capitalised ground rent (CGR) in their *poblaciones*. However, none of these regulations were considered by the municipal technical team of Pedro Aguirre Cerda in producing the new version of the Master Plan by late 2005. PAC grassroots reported this situation as follows:

> [W]hat was not sufficiently included in PULSO's final proposal are norms for allowing growth according to our own possibilities. That would mean that the regulation [proposed] does not allow extensions, or the addition of a second or even third dwelling [in the plot]; that could only be made via a detailed sector-by-sector norm, or a guideline that generally permits this in the *comuna.* (PAC Community Leaders, 2005b: 10)

This point is relevant because so far in the *poblaciones* of Pedro Aguirre Cerda it has been rare for small proprietors to disinvest or abandon residential space (as a stage of

the gentrification process, according to the rent gap model; see CHAPTER 2). In contrast, as sub-section 4.2.4 shows, physical decay is concentrated in certain areas of Santiago's inner city but not widespread across the peri-centre. In general, Pedro Aguirre Cerda *comuna* is not an area of concentrated physical decay but, as I could corroborate during the fieldwork, the rich social milieu in many *poblaciones* of PAC acts as a 'brake' that slows down extreme dilapidation, creating collaborative mechanisms of solidarity which, notwithstanding their limited own financial possibilities and virtual absence of support from private financial capital (since generally, low-income residents are rarely granted bank credit in Chile), maintain their dwellings in relatively good condition.

The present chapter deals with what are probably the two main forms of fixed capital devaluation in Santiago's peri-centre and PAC. The first, to be analysed in section 7.2, is the underperformance of a central-state programme named *Fondo Solidario de Vivienda* (Supportive Housing Fund, FSV), aimed at social housing upgrading of the lowest-income social strata. The results of this programme are relevant because, although there are two additional parallel social housing programmes[1] aimed at the lowest-income groups of the country, the FSV has recently emerged as the largest and most important one, also most suitable in the spatial and social context of Santiago's inner city. This section outlines the main structural features of that programme, while a spatial analysis of its results, between 2001 and 2005, conducted at *comuna* level, shows there is a higher underperformance of the FSV in a broad southern peri-central macro-zone[2], in which PAC *comuna* is included. Causes identified for this underperformance are: first, a lack of central state supervision in its application by municipalities (MINVU, 2006); second, the low electoral capital that the social housing upgrading represents to elected mayors in small-size *comunas*; third, the low priority that some low-income municipalities may be giving to the item of social housing upgrading, compared with other urban development goals at larger scale. Altogether, the

[1] The Dynamic No-Debt Social Housing Programme (*Vivienda Social Dinámica sin Deuda*) and the Incremental Housing Programme (*Programa de Vivienda Progresiva*). They run in parallel and have similar goals as the FSV, but are less flexible at covering the different possibilities of expansion and/or dwelling replacement needed in the peri-centre. Nor do those programmes seek social integration or are they based on collective applications to funds. They are also less flexible in their management principles. According to a recent report by MINVU (2006), these programmes should be at some point integrated to the growing *Fondo Solidario de Vivienda* programme.

[2] A relatively homogenous group of municipalities; see Appendix 2.

analysis touches aspects of governance and observes a form of 'unaccountable democracy'[3] in Pedro Aguirre Cerda *comuna*.

Section 7.3 identifies a second factor of devaluation of fixed capital, which is interrelated with the former factor, namely the structural limitations to dwelling and neighbourhood upgrading contained in the national Law and By-Law of Planning and Construction (LGUC and OGUC respectively). This section focuses on the structural elements of these national codes that seek to regulate upgrading of low-income housing but restrict in many ways small scale construction. On the whole, this reflects an internal contradiction between goals of regulation and promotion of housing upgrading, within the same policy.

Both factors are generators of inexpensive land for renewal in PAC *comuna* and the rest of the peri-centre of Santiago. However, although in any low-income urban area, the underperformance of state programmes and tight building regulations could be socially conflictive matters, because they limit potential addition of use value to residential properties, it is in the peri-centre – more specifically within the area of large scale urban renewal (URSA; see Figure 7.1) – that these factors of devaluation play a key role as facilitators of the accumulation of increased potential ground rent (PGR) by large-scale developers (see CHAPTER 5). These factors may also configure an 'institutional' form of creative destruction (see research hypothesis, CHAPTER 2) inherent to the dominant entrepreneurial rationale of the model of large scale urban renewal in application in the city since 1990.

This chapter comprises a description and an analysis of these policies. It draws on interviews to two central state technicians, a national parliament member who is also an expert in building regulations, two architects and a planner that have worked with PAC community. Whilst in the previous two chapters, several grassroots' discourses were cited to illustrate the social and political implications of the enlarged rent gap in Pedro Aguirre Cerda, in the current chapter, the experts' discourses help explain the observed

[3] In an accountable democracy, "the link between opinion formation in the public sphere and decision making in the elected government is sufficiently direct for policy makers to enact into law and put into practice expressed desires of citizens. In this sense, policy makers are accountable to the people." (Paley, 2004: 497).

contradictions within state policies as applied in the renewal of the peri-central space of Santiago.

7.2. The *Fondo Solidario de Vivienda* (FSV) programme in the southern peri-centre

7.2.1. Main features of the programme

Early in the 2000s, the Chilean government ended its traditional modus operandi based on differentiated programmes of social dwelling production hitherto with direct state intervention in the allocation of subsidies, and supervision by the government either in dwelling construction, project management, or both. From then on, the state would completely pass the steering wheel of the social housing production and management to the market, i.e. property developers and building firms. The Housing and Development Service (SERVIU), created in 1975 with this purpose, would not purchase land anymore. The new strategy would seek to unify the several existing programmes and subsidies aimed at the production of social housing, those targeting the lowest two quintiles of the national population (around 6.2 million people, with per capita income below 67,000 Chilean Pesos or US$ 120)[4]. To replace them, a single flexible instrument of subsidy with direct participation of small scale private building firms, the *Fondo Solidario de Vivienda* or FSV, was created (MINVU, 2008d)[5].

From then on, the national FSV programme would subsidise new residence and/or site-densification with low required minimum savings, and exempt beneficiaries from paying mortgages. This subsidy is designed to use the residents' own capacity of self organisation given that applications to the FSVS must be always collective. The programme is also largely more flexible than the so far individual Chilean housing subsidies, making it possible to build additional and rebuild dilapidated houses *in situ* (Gobierno de Chile, 2005). The fund is centrally managed by the Ministry of Housing

[4] By 2003, the average per capita monthly income in the country was 150,000 Chilean Pesos, or US$ 270 (MIDEPLAN, 2003).

[5] Additional characteristics of this programme are detailed in Appendix 12.

and Planning (MINVU) and the Housing and Development Service (SERVIU) through their regional offices that produce a list of applicant households, which are prioritised according to a national system of Socio-Economic Ranking or *Ficha de Caracterización Socio-Económica* (CAS) (MIDEPLAN, 2009).

Among other ends, the *Fondo Solidario de Vivienda* programme is meant to be suitable for small scale urban regeneration in already inhabited areas, like Santiago's peri-centre. To be eligible, FSV projects have to be submitted to SERVIU by organised local communities composed of 10 or more households. They have to be technically operated by an Organising Entity which channels the demand (the group of applicants), external firms of Technical and Legal Assistance and a 'social realtor' called EGIS. The latter, vital in the materialisation of the 'solutions'[6], can be a small-scale architecture firm, a social development organisation or even a municipality acting as a 'social property developer'. EGISs assist applicants in the architectural design of the projects and support them during the construction (Tapia, 2009).

Besides their potential participation as EGIS, municipalities play a vital role in the linkage between the community and funding from central government. Moreover, municipalities are key for granting the project's building and/or 'demolition licenses' (in cases of *in situ* rebuilding), both of which must be in accordance with the local and national building regulations (Gobierno de Chile, 2006). However, this triple relation among the FSV, national building codes and the local space is one of the core conflicts observed in the peri-centre, as is to be illustrated in Section 7.3.

The *Fondo Solidario de Vivienda* programme is aimed at 'households in a condition of poverty', and consists of three types of 'solutions' for *in situ* development, plus one for the acquisition of new accommodation in a different place (Gobierno de Chile, 2005). The three *in situ* development types are: a) house building, b) densification and c) construction of a new unit. The funds allocated for any of the three modalities of densification range between 280 UF (US$ 10,500) and 330 UF (US$ 12,340)[7], that can

[6] Since the 1960s, policies in Chile use the euphemism 'solution' to refer to low-standard dwellings (see sub-section 3.4.2.3).

[7] The *Unidad de Fomento* or UF is a unit of account automatically adjusted to inflation. See Appendix 1-Glossary.

be extended to 330 UF and 370 UF (US$ 13,880) for projects if they are to be located in Greater Santiago (MINVU, 2006). The variability of these numbers is due to the type of 'solution' dwelling but not the location of the projects in the city, a factor which is addressed by an extra mechanism of subsidy specifically aimed at absorbing the cost of land (outlined in Appendix 12). Through *Fondo Solidario de Vivienda*, it is possible:

1. To buy a dwelling, used or new, at any time in the year. If the unit is not newly built, it must be at least two years old.

2. To build a social dwelling in the same plot of residence, in a new plot, or in a new plot that comes from a subdivision made with this purpose (this point will be analysed in section 7.3). The modality is either through plot densification (adding more dwellings where there is space available) or resident site (*sitio residente*). The latter applies when the original house is so deteriorated, that the municipal Director of Construction can certify that it is uninhabitable, and approves the demolition license, so the dwelling can be replaced by a newer one. The new house should have a total floor size of 38 m^2 approximately, able to be extended up to 55 m^2. Applications for this kind of projects must always be collective.

3. To modify, repair or extend a house with the condition that as a result, two separate dwellings are created from the original one.

From being a 'pilot programme' in 2001, the *Fondo Solidario de Vivienda* programme has turned in to the main social housing programme for subsidy of the lowest-income sectors of the country, since 2006. Between those years, a total of 2,000 FSV projects were approved nationally, benefiting around 125,000 households (SERVIU, 2007). From 2005 to 2006, the state budget for FSV increased by 15% (from 6.29 million UF, approximately US$ 236 million, to 7.24 million UF, approximately US$ 271 million) (MINVU, 2006). If the total national annual budget for social housing is 12.9 million UF, or approximately US$ 480 million, considering subsidies and 'solutions' completed

and allocated by SERVIU (Astaburuaga, 2005)[8], the FSV in 2006 may have represented around 56% of the total budget aimed at social housing in the country[9].

In sum, since 2002 the initiative of building social dwellings has been transferred from the state to private small scale developers, which produce them according to an existing and to-be-organised social demand. The role of the national state has been reduced to providing enough subsidy, letting the private sector – or the local state government acting as 'social' estate agent – organise and channel that demand, and produce the different 'solutions' available. In general, the FSV programme has been successful in many *comunas* in the Greater Santiago Metropolitan Area (GSMA) but, as shown below, the results in the southern peri-centre are considerably lower than the average.

7.2.2. Results in Greater Santiago Metropolitan Area (GSMA)

Figure 7.1 and Table 7.1 illustrate the outputs of this programme per municipality and macro-zones in GSMA. As seen in the table, the *Fondo Solidario de Vivienda* programme benefited 1.5% of the city's population between 2001 and 2005[10]. The share of households who benefited from the programme versus the total population of the *comuna* is shown in Figure 7.1. While in the 34 municipalities comprising GSMA nearly 300 FSV projects were developed between 2001 and 2005, benefiting 16,986 households or approximately 78,100 people, Pedro Aguirre Cerda and the rest of *comunas* of the southern-peri-centre within the Urban Renewal Subsidy Area (URSA), that is San Miguel and San Joaquín, showed null results. This situation reduces the general

[8] UF and US$ dollars at 2009 prices.

[9] The annual national budget in 2006 was enough for building nearly 200,000 FSV units, using an estimated unit price of 370 UF. However, the national housing budget also comprises other subsidies aimed at higher income population, not only FSV.

[10] This might seem a relatively small number compared to the existing total social housing, but it has to be considered that the five year-period of this programme is a relatively short time compared with the several decades of social housing development in Chile.

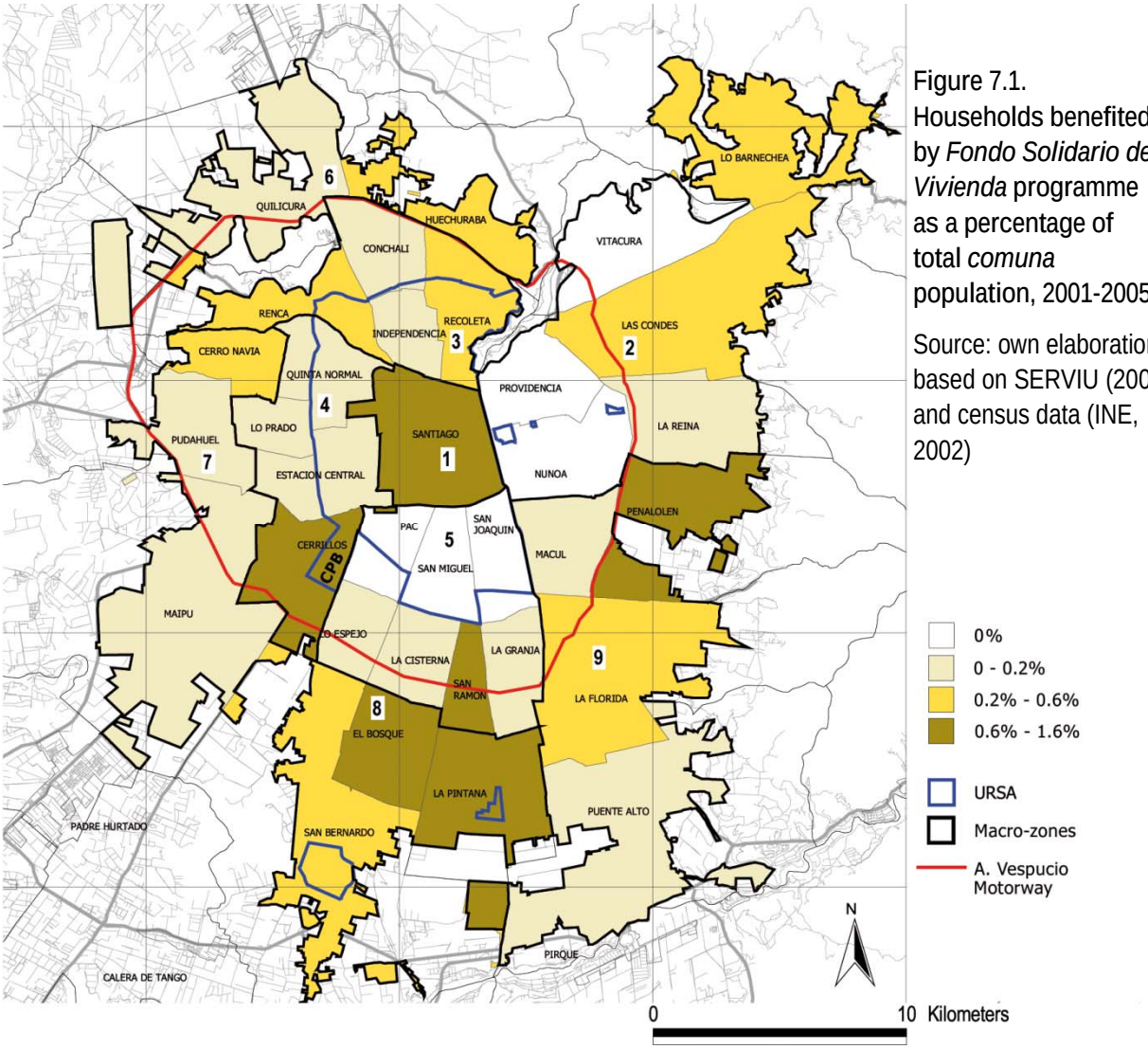


Figure 7.1. Households benefited by *Fondo Solidario de Vivienda* programme as a percentage of total *comuna* population, 2001-2005

Source: own elaboration based on SERVIU (2007) and census data (INE, 2002)

Key (*)	Metropolitan Macro-zone	Number of *comunas*	Total population 2002	Households that benefited 2001-2005	Population that benefited 2001-2005 (**)	% Population of macro-zone that benefited
1	Centre	1	200,792	3,229	14,853	7.4 %
2	Central-East cone	6	787,288	1,041	4,789	0.6 %
3	Peri-central North	4	480,473	1,309	6,021	1.3 %
4	Peri-central West	4	410,628	983	4,522	1.1 %
5	Peri-central South (***)	7	716,401	846	3,892	0.55 %
6	Periphery North	2	200,588	512	2,355	1.2 %
7	Periphery West	3	812355	909	4,181	0.5 %
8	Periphery South	3	612,441	3,790	17,434	2.3 %
9	Periphery East	4	1,187,184	4,367	20,088	1.7 %
	TOTAL	34	5,408,150	16,986	78,136	1.44 %

(*) Key numbers labelled in Figure 7.1.
(**) It is considered an average size of 4.6 members in households of the first socioeconomic quintile (MIDEPLAN, 2003).
(***) Including PAC, San Miguel, Lo Espejo and San Joaquín, among other *comunas*.

Table 7.1. Population benefiting from *Fondo Solidario de Vivienda* programme by Greater Santiago macro-zones, 2001-2005

Source: own elaboration based on SERVIU (2007)

performance of the broader southern peri-central macro-zone (see Figure 7.1), which also comprises Lo Espejo, La Cisterna, La Granja and San Ramón. In this macro-zone, FSV has benefited only 0.55% of the population.

The contrast with the rest of peri-central macro-zones is noticeable in Table 7.1. For instance, in the western peri-centre, 1.1% of the population are benefited, whilst in the northern peri-centre this is even higher, reaching 1.3%. All these peri-central *comunas* are relatively similar in social status to Pedro Aguirre Cerda. In starker contrast, the results during the five-year period of the programme in Santiago-Centre *comuna* show one of the highest rates (7.4%). This latter territory still hosts a large number of deprived enclaves but it has one of the largest (and probably most efficient) municipal administrative apparatuses in the country (see subsection 4.3.1 and also Valenzuela, 2003) and a local population of only 200,000.

The situation is more heterogeneous in the periphery than in the inner city. The three large peripheral *comunas* of the south (La Pintana, El Bosque and San Bernardo) reach a comparatively high rate of 2.3 % of households benefited, whilst the eastern peripheral *comunas* reach a bit less, around 1.7%. To the north, the rates decrease considerably to 1.2% and to the west (Pudahuel, San Bernardo and Lo Prado *comunas*) the index reaches 0.5% only. In the case of western peripheral Pudahuel and San Bernardo *comunas*, the lack of better results may be due to their ongoing vibrant low-density, privately-led property markets, and the special priority that these municipal administrations may be giving to those processes of urban expansion. Also, the six *comunas* comprising the well-off macro-zone labelled '2' in Figure 7.1 show a relatively low 0.6% of people who benefited, although this is the traditionally affluent *Barrio Alto* of Santiago, hence this result would be even lower if the several low-income enclaves situated in the fringes of these municipalities did not exist.

7.2.3. Searching for the causes for the underperformance in PAC and the southern peri-centre

When I enquired with technicians from the municipality of Pedro Aguirre Cerda about these results, they alleged the low results of the *Fondo Solidario de Vivienda* in the

comuna were caused by local people's lack of agency and negligence by its communal leaders in the application to the public funds. The mayor of Pedro Aguirre Cerda also added a different justification for the null results of the FSV in his *comuna*.

> [T]hese are too recent programmes[11]. And our people are just showing some level of interest in them. But, in practice, when a room is built in a backyard […] our old homeowners are relegated to live on those backyard rooms, whilst their children [now head of households] take control of the main dwelling. Thus, given those kinds of densification, which are precarious, our old homeowners fear to do this. If they build a bedroom, or they create an attic, they will have to leave the main bedroom. There is an interesting sociological problem there [inside households]. I would say that until this current generation has not passed, we won't have a solution to this. (Interviewed on 25 April 2007)

The social 'agency' explanation addressed by the municipal technicians of PAC, and the sociological explanation provided by the mayor might seem plausible, but they contradict several other cases of *comunas* which are similar to PAC in terms of the social composition and urban structure of their *poblaciones*. The question that arises is why these *comunas* show more positive outputs in the application of the FSV programme with similar levels of success to Santiago-Centre. For instance: Cerrillos (3.5% of population benefited), La Pintana (4.4%), San Ramón (3.5%), El Bosque (3.3%) and even Peñalolén[12] (5.2%) (see Figure 7.1). Advisors from the national Housing and Development Service (SERVIU) explained to me that these successful metropolitan municipalities have installed "real sorts of communal property firms" for capturing FSV funds. Although the evidence available may be not decisive, the observed general pattern of results of FSV projects in Greater Santiago Metropolitan Area (GSMA) seems to confirm that the priority given by the municipal administration is key at the time of generating positive results.

Although the FSV programme has proven successful nationwide, there is concern among governmental interviewees from SERVIU and the Ministry of Housing and Planning (MINVU) about the lack of results in the application of this fund by these

[11] The FSV programme started in 2001, six years before the interview, but he is referring to the older two existing programmes too.

[12] Peñalolén municipality has slightly more financial and technical resources than the previous cases (Rivera-Ottenberger, 2008)

specific peri-central municipalities, especially those from the south. A recent report by MINVU (2006) explains the uneven application of the FSV programme across the country as result of the still little effective supervision conducted by the central-state agencies over the regional and local territories. In the south of Santiago, what is observed is a broad peri-central metropolitan area, covering around 11% of the city's population, which has not been served adequately by the programme so far. I interviewed Dante Pancani, Chair of Housing Programmes Evaluation in SERVIU, about the specific case of Pedro Aguirre Cerda and the lack of applications to FSV arising from it:

> [Unfortunately, PAC municipality] neither commit to produce densification nor 'resident site' modalities. I can't explain how people such as from La Victoria that own such damaged dwellings cannot turn to their mayor, demand from him a demolition permit, apply to the FSV programme and redevelop the whole area. […] PAC [municipality] in particular has shown very poor management. […] I have nearly 2,000 projects registered, and I try to find one from Pedro Aguirre Cerda. None!
>
> This is because they have a problem of municipal management; I mean, the whole district including Lo Espejo, San Miguel and San Joaquín. I'm sure of this because in the past I worked with MP Jorge [Inzunza] and I realised that in these three *comunas* [which Inzunza represents in the Parliament][13] there are no municipal counterparts working to implementing FSV projects. [But] I really can't explain how PAC, which is a space built more by their inhabitants than the state, is not a priority [for the municipalities]. The 9x18 [metres] site supports densification. […] The point is that I don't think PAC lacks space for densification. It does. I remember when I walked over there, I came into many houses and saw huge plots… there I realised those people can apply for subsidy for a 'resident site' plus densification in the same plot [… In contrast in] El Bosque *comuna* they have got already 17 FSV projects developed so far […] Mayor Zalaquett [from La Florida *comuna*, who belongs to UDI, a right-wing opposition party] with whom I don't have special political affinity, he actually created a municipal property agency. He has been really driving us crazy with the numbers of FSV applications he sends to us. (Interviewed on 24 May 2007)

Mr. Pancani confirms the responsibility that local governments have in the management of the fund, and also the material possibilities that a highly fragmented local structure of plots, like PAC's, can generate for densification and *in situ* replacement of dwellings. Another SERVIU officer, Juan Morales, confirms that public investment in improving

[13] I tried to interview this actor but he was unavailable.

housing might be a feasible process in Pedro Aguirre Cerda *comuna*, even in its supposedly more politically troublemaking *poblaciones*. This latter point seems to contradict PAC municipality's strongest argument for the low of results in FSV projects, based on the alleged lack of interest by their inhabitants. Mr. Morales addresses specifically *población* La Victoria:

> I know [the *población*], I know some of their leaders; they can organise themselves and see how this is to be done. That was how the programme Participatory Road Surfacing [*Pavimentos Participativos*] worked[14] and I would say that that was a very good way to make things happen […] All municipalities have an office for housing, that's a sort of natural channel. If the people go to the municipality, this should be in conditions of informing them about the existing state housing programmes. Now, this is one of the problems that the FSV policy has, because the municipal counterpart does not work efficiently. One might have expected that from La Victoria some projects densification were presented to us, but there hasn't been any. (Interviewed on 23 May 2007)

I interviewed National Parliament *Diputado* (MP hereafter) Patricio Hales, who has specific insight into both Santiago's peri-central reality and general construction matters, because he represents peri-central Recoleta and Independencia *comunas*, he is an architect and has been a member of the National Parliament's Housing and Urban Development Commission for years. He confirms that there are significant municipal management failures, not only in PAC, but generally in Santiago's metropolitan peri-central area. His opinion matters, for he is probably one of the most authoritative informants regarding urban issues among MPs in Chile. His opinion is also more 'political' in terms of explaining the low results observed in the southern peri-centre than that of previous informants'.

> [The FSV programme is unsuccessful in the peri-centre] because it is a programme that produces low electoral gain. It doesn't give enough votes to mayors. It is based on projects that require too much effort: to join people, to keep the group of households together, to make them deposit the [minimum required saving] in a special bank account. It is hard to give the project to an EGIS, to have the project approved so SERVIU can give the money for construction. Furthermore, it is so hard to find adequate land. So, effectively, the effort that a municipality could make takes almost 3 years, but a mayor's

[14] La Victoria *población* was one of the first areas in the country to implement the *Pavimentos Participativos* programme in early 1990s, as part of a bottom-up initiative aimed at solving the high number of un-surfaced streets in the *comuna* (Gobierno de Chile, 1994; Valenzuela *et al.*, 2002). Many La Victoria residents are especially proud of this.

> period lasts only four years. So, their time is not enough for seeing the dwellings completed. And if [the mayor] has got them built, that would be very little to show. I mean, [that would be just] ten little new dwellings built in backyards. In contrast, in just three months, with considerably less money and effort, they can install a bit of synthetic grass over a precarious mini-football pitch, also installing a huge poster with their face and name in the front. […] Mayors in the peri-centre don't want to work in what is not profitable in terms of their personal standing. (Interviewed on 17 April 2007)

MP Hales helps to realise that the explanation for the lack of *Fondo Solidario de Vivienda* projects in many metropolitan *comunas* is manifold and complex. Causes for this misapplication range from exclusively technical to electoral reasons. His negative appreciation regarding municipal management in the peri-centre may seem a broad generalisation, given the uneven results achieved by the programme FSV in the different peri-central *comunas*. However, he confirms what is largely regarded by technical and political interviewees, and some bibliography on Chilean politics at municipal levels too, that the levels of effective public accountability – or 'accountable democracy' (Paley, 2004) – seem reduced roughly to every four years, when municipal elections are held (Kubal, 2006; Rivera-Ottenberger, 2008). Therefore, the lack of proper mechanisms of social accountability on housing and urban public policies at local levels prevents the community from avoiding the kind of mismanagement shown by the *comunas* of the southern macro-zone. Furthermore, the conflictive process of Master Plan rezoning in PAC, outlined in CHAPTER 6, points to a case of severe unaccountability at the municipal level too.

Nevertheless, there are still physical reasons, mainly related to the small scale of plots and the relatively high price of land in *comunas* like Pedro Aguirre Cerda (compared with more peripheral low-income areas), that make the FSV programme less feasible in certain peri-central areas. The following section explain these points.

7.3. Structural limitations to upgrading *poblaciones*: local and national building regulations

The mismanagement of the *Fondo Solidario de Vivienda* funding by the local administration of Pedro Aguirre Cerda should not be seen as the major plausible cause

for the low indices of social housing upgrading in the *comuna*. Another observed limitation to these projects are the building guidelines contained in the national Law and By-Law of Planning and Construction (LGUC and OGUC bills respectively). These guidelines seek to establish minimum levels of hygiene and security in construction and explicitly seek to discourage the subdivision of small plots in the inner city. Overall, they make construction more difficult in the typical, small-sized plots (down to 150 m^2) present for instance in many PAC *poblaciones*.

The causes for this peculiarity, as has been explained in CHAPTER 3, are rooted in the peri-centre's history: this is a space produced after massive processes of land seizure and self-help housing from the late 1950s to 1973. To a great extent, the self regulatory mechanisms of land distribution exerted by the grassroots during that period are nowadays a limitation for their upgrading, under the current regulations of planning and construction. This in turn impedes further processes of densification in many peri-central areas, even if the public funding is available, like the case of the FSV programme. The mismatch between the policies aimed at funding small scale housing upgrading and the national frameworks that severely regulate them is analysed as follows.

7.3.1. Analysis of guidelines in the National Law of Planning and Construction (LGUC)

7.3.1.1. The national codes

The National Law of Planning and Construction (LGUC) homogeneously regulates the planning and construction in the Chilean territory through standardised norms of construction and urban development. According to the Chilean Government (Gobierno de Chile, 2007a: gen 1-1), the LGUC bill is part of a system of three levels of actions, namely:

1. Principles, responsibilities, powers, privileges, rights, sanctions and other rules that govern the agencies, officials, professionals and individuals in the tasks of urban planning, urban development and construction.

2. The national By-Law of Planning and Construction (OGUC), which specify the building and planning regulations contained in the LGUC and governs its administrative procedure, the process of urban planning, development and construction, and technical standards of design and construction required by these. The National By-Law of Planning and Construction (OGUC) comprises Title 4, aimed at architectural and design issues; Title 5 aimed at regulating construction; and Title 6 aimed at special regulatory exemptions for 'affordable housing'.

3. Technical Standards, which contain and define the technical characteristics of projects, materials and systems for construction and development, to meet the standards required by the National By-Law (OGUC).

It was observed in CHAPTER 3 how, since its first constitution in 1931 and after several modifications, these national planning and construction codes have uninterruptedly regulated the production of physical infrastructure in Chilean cities, establishing guidelines for architecture and construction of every type of building, especially residential uses (Gobierno de Chile, 2007a). As also noted in sub-section 5.2.2, these national regulations transfer legal authority to local master plans for the definition of key building regulations, such as abutment in the plot (*adosamiento*), Setback Plane (*rasante*), Front yard Lines (*antejardín*), Building Density, and especially Plot Area Ratio (*constructibilidad*). Nevertheless, municipal guidelines must comply with the national guidelines for planning and construction anyway.

The main role of the LGUC and OGUC is declaredly to assure minimal levels of quality and safety in the building sector. Also, although for the development of large-scale projects, the national codes define a series of exemptions that allow increases in building capacity, basically by enlarging the Plot Area Ratio when plots are merged[15],

[15] Under certain additional conditions, and as incentive to large scale developers, Plot Area Ratio can increase from 30% to 50% when several plots are merged into a larger one, according to the National By-

for the case of small projects, the norm is considerably stricter. Aspects of setback plane, front yard line and Plot Area Ratio produce little building capacity (see CHAPTER 5) and practically no possibilities for dwelling extension. For instance, in Pedro Aguirre Cerda nearly 50% of the *comuna* land use corresponds to housing and more than 60% of which corresponds to plots smaller than 150 m^2 (SGA-IBERSIS, 2000). This situation is relatively common in the rest of low-income peri-central *poblaciones*, where the strict building regulations contained in the LGUC, plus the titles 4 and 5 in the OGUC, could hardly be materialised.

For these reasons, the national codes provide specific exemptions to small scale housing. Title 6 in the OGUC specifically addresses a more flexible building regulation for 'Affordable Housing' or *Vivienda Económica* (Gobierno de Chile, 2007b: 331). Article 6.1.2 of the OGUC differentiates between 'Affordable Housing' (or *Vivienda Económica*) and Social Housing, either of which ought to meet the terms of relatively different guidelines, whilst social dwellings are the subject of softer regulations than affordable housing. The article defines:

a) **Affordable Housing:** This refers to housing built either according to the dispositions of 1959 DFL2 law (see sub-section 3.4.1, page 103) or by the former state Housing Corporations and the Corporation for Urban Improvement (CORVI and CORMU; examined in sub-sections 3.4.2 and 3.4.4 respectively). Also, commercial buildings that are already built and have been transformed into accommodation fall into this category. In all cases, the built area cannot be higher than 140 m^2. These dwellings benefit from the tax incentives contained in the 1959 DFL2 law.

b) **Social Housing:** Affordable housing whose cadastral value (including the land) should not exceed 400 UF (by 2009, around US$ 14,600). Exceptionally, social housing condominiums can increase this value by additional 30%. According to the National By-Law of Planning and Construction, article 6.1.4, it is the Municipal Director of Construction who grants the category of 'social housing' to a dwelling, after assessing the cadastral value of its plot, plus an estimated

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Law of Planning and Construction (Gobierno de Chile, 2007b; Wurman and Torrent, 2006). See also sub-section 5.2.2.

value of the dwelling according to a table of disaggregated costs of materials, published by MINVU quarterly (Gobierno de Chile, 2007b: 332).

7.3.1.2. Exemptions for Affordable Housing

Title 6 of the OGUC addresses special guidelines aimed at dwelling extension, for instance if several dwellings are to be built in groups known as 'Condominiums of Affordable Housing' (i.e. estates of 'affordable' units built simultaneously on sites larger than one hectare). In that case, Article 6.1.8 establishes as compulsory only the following guidelines: setback plane, inter-building distance, front yard and grouping system, disaster risk zones, land use, parking lots, building density (which is regulated by local master plan but can be increased 25% in the cases of 'condominiums') and road accessibility. These guidelines should be established by the local regulations contained in the master plan. Houses or residential blocks cannot exceed 14 metres in height and should consider at least 24 m^2 of backyard. In the same code, Article 6.2.5 also establishes that these condominiums should be subdivided into plots larger than 60 m^2.

The more relaxed guidelines for affordable housing may be potentially a chance for producing collective projects of low-income dwelling upgrading or renewal, like those demanded by PAC community in its struggle against the local authority between 2004 and 2005 (see CHAPTER 6). At a first glimpse, this context might represent a chance for local homeowners to rebuild collectively their dwellings at a higher density with fewer building restrictions, using, for instance, the funding from FSV programme analysed above. However, the exceptional regulations for 'affordable housing' are not especially aimed at social housing upgrading. In fact, the building restrictions that remain are still strict (this point is to be outlined in sub-section 7.3.3), thus most of these exception have been used by large scale, upper-income housing developers as a way of by-passing municipal planning guidelines, in order to enlarge and facilitate the production of housing estates, especially in the expanding peripheries of the city (Herman, 2007a). Therefore, another contradiction emerges here: policies that are aimed at regulating low budget housing and densification are used for clearly different purposes (see sub-section 3.7.3 in page 134 for the tax implications of this). In contrast, the following sub-sections

address the specific exemptions aimed at social housing, and how it is still hard to apply these in the context of Santiago's peri-centre.

7.3.1.3. Exemptions for Social Housing

The National By-Law of Planning and Construction (OGUC) also establishes certain norms specifically aimed at social housing. As examined above, social dwellings are defined as properties with a cadastral value under 400 UF. Regarding the chances of densification in already serviced plots, Article 6.2.4 establishes that in urban areas, plots that accommodate only one social dwelling can be subdivided into plots larger than 100 m^2 each (if the dwellings are to be one-storey) or 60 m^2 each (if two-storey), being released to comply with all the building guidelines established in the local master plan, with the exemption of the regulations on setback plane and inter-building distance (Gobierno de Chile, 2007b). This special scheme marks a difference with the previously analysed scheme aimed at affordable housing.

Furthermore, Article 6.2.9 also allows subdivisions of plots with sizes larger than 150 m^2, produced by the 'site and services' *Operación Sitio* programme in the 1960s and legally approved by the predecessor bodies of the Housing and Development Service (SERVIU), namely the Housing Corporation (CORVI) or the Corporation for Urban Improvement (CORMU; see CHAPTER 3).

> **Article 6.2.9.** In urban areas, plots with a social dwelling or plots that had been developed by *Operación Sitio* [see CHAPTER 3] and that have been urbanised by the legal ancestors of SERVIU, and whose area is not less than 100 square metres, can be subdivided into two and/or host the construction of a second social dwelling without complying with the rules of the local master plan, whereas those plots that have an area not less than 150 squares metres can be subdivided into three and/or host the construction of up to two additional social dwellings. (Gobierno de Chile, 2007b)

This article also regulates, for social dwellings, the percentage of abutment of the new dwelling to be built regarding the neighbouring sites, depending on the height of the dwelling located on the plot. Thus, for dwellings sized between 2 and 3.5 metres height, the permitted maximum percentage of abutment is 70%, while for dwellings sized

between 3.5 and 6 metres height, the permitted abutment is 60% (Gobierno de Chile, 2007b).

7.3.2. Where the norm and social reality clash: three key actors speak

As already mentioned, the OGUC Article 6.2.9 instructs that social housing redevelopments have to follow rules referred to distance and set back plane angle anyway. However, to act in accordance with the setback angle (fixed by law at 70° in Santiago) and the distance to the adjacent site, may reduce considerably the building possibilities if the dwelling to be built is detached or semi-detached, or if an extended volume is to be projected backwards from an original terrace-type dwelling. At this point, the national building code falls into an internal contradiction, because although in the 'spirit' of the law there are possibilities aimed at promoting social housing expansion, in practice, the code clearly restricts those possibilities.

Moreover, as also mentioned above, there is another difficulty for the application of the regulatory exemptions contained in the national building codes, and this is the fact that the qualification of 'social housing', necessary for accessing to those legal exemptions, is monopolised by the municipality, more specifically the Municipal Director of Construction, who assesses the cadastral value of the plot and the building set on it before granting that exceptional category.

The internal contradictions contained in the National Law of Planning and Construction were addressed by three key actors interviewed in 2007. Firstly, Architect Alfredo Rodríguez, chair of the SUR NGO, internationally recognised expert on housing issues (Rodríguez and Sugranyes, 2006a, b; Rodriguez and Winchester, 2001) and one of the key external empowering actors that participated in the struggle around the Master Plan in PAC between 2004 and 2005 (see CHAPTER 6). He summarises the observed incompatibility between the qualification of social housing and the reality experienced by most plots in Pedro Aguirre Cerda *comuna*.

> [T]he National By-Law generates a concept of 'affordable housing' based on the application of the DFL2 [basically, units up to140 m^2]. Thus any project smaller than 140 m^2 could fit in the norm of the Title 6 of the OGUC. However, when that Title refers to

> permission of extensions in semi-detached or terrace types, it only defines this permission is for 'social housing'. Yet 'social housing' is defined as a dwelling priced under 400 UF [and needs to be declared as such by the Municipal Director of Construction]. Therefore, all the peri-central *comunas*, although they have low-income population in the first quintile [the lowest in the national socio-economic scale], they're all in a pickle. They are not entitled to social housing, because the plots are valued at above 400 UF. Therefore, any thing you build in a plot over 400 UF, you are excluded from the application of a norm that was conceived to allow poorer people from making better use of their properties.
>
> Legislators have understood that all their policies for densification, all those projects where they have theorised, all have failed because at the time of applying for a municipal permit, these are rejected. They [the ministry] pay consultancies to universities for research about 'projects in backyards', as they called them… but the fact is all those projects failed since any higher height in the backyards is not permitted. Hence, any architect's theoretical speculation with volumes will clash with a Municipal Director of Construction who says "this is not possible". Thus there is a total contradiction here: on the one hand, a desire of responding to a social need, especially to the poorest people, with an altruistic spirit; on the other, a functional dynamic of an eminently exclusionary system, which prevents any altruistic possibility of giving the poor a solution. (Interviewed on 27 March 2007)

Mr. Rodríguez's appreciation about the current possibilities for site densification is pessimistic. According to him, the production of alternative ways to the monopolised urban renewal in Santiago's peri-centre may be attainable, but this could work in a different context where *Fondo Solidario de Vivienda* projects and the national norm contained in the National Law and By-Law of Planning and Construction acted together with a local master plan, contributing to create the local conditions for this to happen. For instance, smaller minimum plot sizes could be permitted, in accordance to the existing space. Also, larger maximum building lengths could be allowed in order to increase the building capacity of the plot, and so on. This could prevent excessively high rent gaps by keeping Plot Area Ratios low. Nevertheless, as chapters 5 and 6 have observed, the municipal agenda for PAC densification has gone precisely in the opposite direction.

I further enquired with MP Hales about the contradictions between the existing attainable chances of upgrading in peri-central neighbourhoods, given the restrictions embedded in the LGUC and OGUC.

You are touching a central point here. All these [legal] elements make difficult these programmes [of densification], especially the rules contained in the OGUC. The latter is an instrument of authoritarian presidential *caesarism*, that through decrees can starve people from everything. But if the government wants it, and this is something that I have been insisting on for a long time, they could make the regulations of the OGUC more flexible for permitting the application of the FSV programme. […] I should say that my own assessment about the architecture of the peri-centre is that there is a terrible social problem here. […] Thus I'm contemptuous of the current norm, so strictly rule-based. It is an illusion to have a single By-Law for every type of architecture, for the whole territory.

I'd defend a more permissive attitude with respect to the norm, for two reasons: first, for the social benefit emanated of not creating new [peripheral] ghettoes, and for encouraging densification in order to avoid household dispersion. […] And the second thing is that, regardless of whether [municipalities] apply all the rules of the By-Law to the peri-central territories, the needs of these households have driven them to produce architecture without regulations, without norms, full of spontaneity. Moreover, during political elections, this spontaneity and irregularity come to be legalised by these laws called 'Sketch Law'[16], approved not by mayors but by MPs. We've had Sketch Law-1, Sketch Law -2 … Sketch Law 'Strikes Back'[17] […] They are as holy water that comes to regularise the spontaneous dwelling and the free exercise of the client, not the professional [the architect]. Thus, at the end, spontaneity is legitimised for knocking down the national regulation […] [My question is] why don't we rather perform a sincere act of putting all of this in order, and give rules for regulating those levels of spontaneity?

In my opinion, it is a real urban and social crime that the *pobladores* who once built the periphery and now became peri-centrals, have been trapped in this kind of ring of wealth, where the land [price] has been multiplied 10 times. It is a crime that these people have two options: either they fall in the hands of speculators that are going to reap their benefits, buying their land at a despicable price […] they're going to buy at blue-collar price to sell at white-collar price […] or even *pobladores* are not even considered by developers since the firms consider their plots a nuisance insofar as they are many small plots, where too much consolidation is needed, where too many people have to be cleared. The developer knows it is better to focus on plots of 2,000 or 3,000 m^2 without being troubled by the 9x18 [metres] plots. Thus, the poor miss out on profits. That is the exact point where I miss a greater degree of state intervention, regarding the creation of an agent which can give dynamism to these processes. (Interviewed on 17 April 2007)

[16] MP Hales refers here to the national Law N° 19,667 (popularly known as *Ley del Mono* or Sketch Law) implemented in 2002 and 2007-8, aimed at regularising the thousands of irregular dwellings spread in Chilean cities. The name comes after the relatively easy process of regularisations, basically consisting on a rough sketch of the house plant and proof of fulfilment of basic fire and building regulations.

[17] This is a joke by the MP.

MP Hales seems to validate this thesis' core proposition, which is that devaluation of building value and capitalised ground rent may be forms of dispossessing the local peri-central inhabitants of their land rent, as part of a process that tends towards the accumulation of the rent gap by an oligopolic large scale property market. However, the MP goes further. He refers to the fact that for the National By-Law, which legally regulates construction in the whole country, small plots (9 x 18 metres, or even larger plots) are restricted to host up to 2-storey buildings with very strong restrictions for a third one. In the case of first floor housing extension in a plot, this is also restricted by the maximum building length (in terraced house type) determined by the local plan, a building rule which was hardened by PAC municipality's initial new plan, but later softened by the community's counter-proposal (compare tables 5.1 and 5.2 in CHAPTER 5). MP Hales is touching another point too: for the *Fondo Solidario de Vivienda* to be fully successful in the peri-centre, or for any state subsidy for small scale housing upgrading to succeed in these areas, a necessary condition is a radical change in the national scheme of building regulations. This would involve parallel forms of regulation, more adequate to the specific scale of the peri-centre, that allow small scale building activity to operate under different rules.

However, whilst the national building codes are based on sanitary and urban health principles as a way to avoid overcrowding, and so clearly restrict building at a small scale, it considerably enlarges the permitted building capacity insofar as the properties are merged and the investment is proportionally larger per plot (OGUC, Title 4). At this point, it seems clear that both the national and local norms may be one-sided. Architect Mario Álvarez, another key actor in the struggle analysed in CHAPTER 6, addresses this point too, but focusing more specifically on the one-sided interests of the national norm and the need of having differentiated regulations according to the different types of spaces and scale of plot subdivisions:

> What happens is that building guidelines in this country are made in the predominant interests' own image and likeness. […] The OGUC is optimal when you've got plots of 15 x 40 metres […] there you can apply the guideline, where the setback plane and other stuff is relevant. But if you've got a 60 m2 plot, don't tell me I have to comply with a certain distance to the plot boundaries, and so on… because that means I can't do anything. […]

> There must be a regulation that differentiates between micro and macro scales, so as in the micro scale you can use plausible standards according to the people's perspective. But the OGUC is made for the big developer, not for the guy who's to extend his dwelling. To the latter, the norms say "you can't do this". Conversely, for the guys who work at a large scale, there are a lot of legal exemptions aimed just for their benefit. If their project applies as Conjunto Armónico[18] they can increase by 50% the allowed height and modify lots of other things in their favour. Therefore, while you've got more, you receive more; and when you've got less, you get less. […] But if you are making a new local plan, you might generate local policies that improve on this segregating character of the general norm. (Interviewed on 11 April 2007)

This informant stresses the contradiction of scales and goals in the Chilean building codes. His final statement is also relevant to help understand the motivations of the grassroots of PAC for struggling and proposing an alternative local regulation, more suitable with their local reality. However, as stated at the beginning of the present chapter, the alternative guidelines aimed by the grassroots at allowing more building capacity at smaller scale were not considered in the final version of the plan produced by the municipality's external consultants. Nor was that plan approved by the local administration, and currently, the approval of the plan is an impasse.

7.4. Chapter conclusions

Pedro Aguirre Cerda is only one of several cases in Santiago where the national building norm and local spatial structure mismatch. Although the Chilean planning and construction codes have been historically conceived for assuring sufficient building standards, following criteria of sanitation and security, as the present chapter and the previous two chapters show, the National Law and By-Law of Planning and Construction (LGUC and OGUC respectively) define flexible regulations only on large-scale construction, but allow less building capacity and are less flexible with construction at smaller scales. These regulations contradict the physical characteristics

[18] According to OGUC Article 2.6.4. 'Harmonic Groups' projects should, among other requirements, be located in plots which are five times bigger than the minimum established by the local guideline (always above 5,000 m^2) or occupying totally a block, close to a broad road, and aimed at residential plus service uses.

of most peri-central residential spaces, which are usually structured by plots of 9x18 metres, or even smaller plots, plus narrow and dense roads.

Also, the chances for applying the several exceptions contained in the national codes aimed to facilitate low-income dwellings upgrading can be discretionally monopolised by the municipality, since it is the Municipal Director of Construction who, at the end of the day, grants the necessary category of 'social housing' under an economic assessment of the cadastral value, necessary for the development of these 'solutions'. And even exemptions supposedly aimed at small scale social construction are used by private realtors to amplify their profits. In a nutshell, plot dimensions and land values make incompatible the fulfilment of the national regulations in the inner city; therefore, most social housing upgrading at small scale is conducted illegally, with higher costs in terms of quality and security. As some informants hinted, an alternative regulatory framework is needed for the consolidated, low-income residential spaces of Santiago, and probably the whole country.

Yet these limitations to small scale construction contained in the national codes are only one of the causes for the low results of the *Fondo Solidario de Vivienda* programme in the southern peri-centre. The other causes appear to be a deliberate mismanagement by these municipalities, motivated possibly by the FSV's little electoral gain and the low priority given to the social housing upgrading versus the large scale renewal. Another cause of the low outcomes of the FSV is the little supervision of the programme conducted by the central state bodies at regional and local levels. Yet the low results of the FSV occur in a general context of 'unaccountable' municipal democracy, where official channels for citizen participation and accountability are scarce. The lack of social accountability is not strange in this case, given the evidence observed in CHAPTER 6.

The analysis confirms the hypothesis stated in the introduction of this chapter, namely: local and national policies visibly constrain the social housing upgrading, and this may be a form of creative destruction because they reinforce and accelerate the devaluation of existing dwellings in areas where an enlarged rent gap is necessary condition for the renewal at large scale. The less small properties can comply with the national regulations, the less small owner-occupiers can add use value to their properties,

consolidate their environments, and increase their ground rents. Hence the capitalised ground rent produced by these spaces remains at its lowest level, whilst the only chance for capitalisation is, for many low-income dwellers, to sell out and leave the space towards different, usually less favourable, urban locations (see CHAPTER 5).

There is an additional geographical aspect to note. Whilst the building regulations contained in the LGUC and OGUC apply in all the city, it is in the 'heart' of the low-income peri-centre that they consolidate their most socially unequal character. More specifically, the southern peri-centre is the place where low outcomes from FSV programme considerably produced by these stiff regulations, and an enlarged and yet-to-be-accumulated rent gap seem to coincide. Or, using Neil Smith's words (1996b), a large part of the southern peri-centre is the 'frontier' where an expanding model of large-scale urban renewal and the social reality of the working-class space conflict.

The analysis conducted so far substantiates that an enlarged potential ground rent is made possible by lax urban guidelines, whereas tight regulations to housing upgrading can be forms of 'institutional' redlining, exerted by central and especially municipal governments that respond to the state of competition set within the Urban Renewal Subsidy Area. Policy-led valuation and devaluation seek to attract the supposed benefits of the urban renewal, but this contradicts the goals of other state policies aimed at adding value into the low-income spaces of the city. The LGUC and OGUC codes create regulatory exemptions to the small scale construction but these are somehow inapplicable in the peri-centre. There are also contradictions between different policies, as the national codes harden the conditions for the application of a national subsidy for social housing upgrading. Conflicts of goals emerge at different scales, whilst the national policy depends on discretional municipal prioritisation of the urban local development. Also, ineffective supervision conducted by the national government in the application of its policies is noticeable in the peri-centre. At this point, urban entrepreneurialism, or the figure of the state acting a facilitator and key necessary conditions for the privately-led urban renewal of Santiago, seems a fragmented and interstitial practice within the state apparatuses and policies, as well as a discourse that dialectically coexists with, and contradicts, the more progressive policy for small scale urban regeneration, in application since 2001.

CHAPTER 8. Conclusions

8.1. Summary of research findings

This thesis reveals that processes of urban ground rent valorisation and devaluation are concomitant, and part of historical trends of creative destruction. The evidence presented demonstrates that Santiago's urban renewal is based on intense capital reinvestment and produces high revenues accumulated by large scale developers. Nonetheless, this accumulation must be underpinned by public urban policy, as it happens not only in devitalised former bourgeois neighbourhoods or derelict industrial zones but also and particularly in vibrant peri-central working-class *poblaciones*.

The uneven rent gap distribution observed in the southern peri-centre of Santiago reflects the speed and intensity of a market of urban renewal that has taken place since 1990 inside the Urban Renewal Subsidy Area (URSA). The apparently closed rent gap in San Miguel *comuna* reveals a well advanced process of state-subsidised, large-scale property market. The case of Cerrillos' rent gap is different; this has gradually reduced since 2000, as a direct effect of the construction of the *Ciudad-Parque Bicentenario* project. In contrast, Pedro Aguirre Cerda (PAC) is where the largest and most static rent gap exists.

Focusing on this latter *comuna*, this thesis has argued that necessary conditions for rent gap enlargement are structural limitations to existing programmes of housing upgrading, contained in national building codes and reinforced by municipal management practices, as well as urban regulatory changes at the local level that foster the potential ground rent increases. The evidence shows that the municipal administration of PAC attempted to adjust its local building guidelines to the needs of the market of large scale urban renewal, implementing in addition other structural interventions, such as planned new large-scale public spaces and a number of expropriations. It might be a matter of speculation, but had the new plan been approved in 2005 in PAC, it could have rapidly triggered large-scale urban renewal in some of the neighbourhoods most targeted by the plan.

Grassroots activism in Pedro Aguirre Cerda counter-imposed a more balanced potential ground rent in the area. Grassroots actors showed an effective organisation, technical proficiency of their leaders and close attachment to institutional channels of participation as they focused their struggle as a conflict of rights between proprietors and the state. The latter may be a specific characteristic of the Chilean post-dictatorial, owner-occupiers grassroots movements, but their high levels of social mobilisation come from their constitution as working-class communities during the industrialising period of the 20th century, and this attribute is specifically peri-central.

The following sections address in more detail the abovementioned topics. Section 8.2 relates them to the three research questions presented in CHAPTER 2, regarding: a) the way the processes of differential ground rent valuation and devaluation observed in the peri-centre can be part of a historical process of urban creative destruction, b) the economic and social impact of an enlarged rent gap in the context of Santiago, and c) the specific role of the state as 'entrepreneurial' facilitator for large-scale accumulation of the rent gap by large-scale developers. Section 8.3 addresses theoretical points related to gentrification vis-à-vis the evidence from the case, especially addressing the nature of the current peri-central social movements and the extent to which they can intervene and transform processes of rent gap enlargement and accumulation. Section 8.4 addresses some basic policy recommendations whilst the final section advances potential topics for future research.

8.2. Addressing the research questions

8.2.1. Is the current process of urban renewal part of a historical continuum of creative destruction in Santiago?

The hypothesis at the outset of this research proposed that the current process of peri-central spatial reconfiguration in Santiago, observed from 1990 to 2005, is not an isolated phenomenon but another stage of a historical process of urban creative destruction. The analysis based on bibliographical data and interviews with key actors confirmed this assertion. From this point, several conclusions emerge.

As seen in CHAPTER 3, the economic limitations of the industrialising mode of regulation (from the late 1930s to 1973) made the state relatively unable to both regulate urban sprawl and absorb the growing social demand for shelter via housing programmes. As a reaction, highly organised and mobilised squatter settlements (*campamentos*) and 'site and services' enclaves multiplied across the fringes of the city. These forms of development were respectively tolerated and promoted by a progressive state that characterised the period from the late 1960s until 1973. These elements configured an important part of the current peri-central *poblaciones*, also generating a long-lasting and militant 'peri-central' working-class identity.

Seen from a broader historical perspective, this historical attempt by the state to 'include' the masses in a relatively planned logic of urban production might have been an exception, as the historical rule since the early 20th century and after 1973 was a sum of social-spatial segregation, low density urban sprawl, speculation with peripheral land, and a form of class-monopoly accumulation of the increased ground rent, allowed and sometimes promoted by the state.

The neoliberal policy of the 1970s and 1980s reduced jobs and social welfare, and militarily attacked many of the inner city working-class enclaves, as an integral part of a process of economic and urban creative destruction. Two specifically 'peri-central' policies exerted by the military dictatorship were the de-industrialisation of the peri-centre and the rolling-back of the governmental body oriented to inner city urban regeneration, i.e. the Corporation for Urban Improvement (CORMU). De-industrialisation in Santiago was a process of relocation of manufacturing activity in certain metropolitan peripheral spaces, reflecting the historical tension between planned-centripetal and liberalised-centrifugal paradigms of urban development observed throughout the second half of the 20th century. At the time, de-industrialisation created environmental externalities and the loss of many jobs with the consequent pauperisation of the local economic base. Currently, the effects of de-industrialisation are especially visible in the southern peri-central area, where a large number of former industrial sites lie vacant. On the other hand, the only relatively consistent policy that has attempted to comprehensively redevelop vacant peri-central industrial sites – i.e. the Santiago Inner Ring project, launched in 2001 – has been more recently downgraded

into a handful of isolated urban interventions. This point partially reveals the current absence of a state-led, integral, long-term policy of inner city revitalisation in Chile.

The second neoliberal policy, the rolling-back of a state body oriented to peri-central renewal, was part of an imposed and pervasive market-oriented model of housing production that largely reflected the distrust by the neoliberal state of the need to command and control the reconfiguration and re-densification of the peri-centre. To some extent, the state rolling-back of the 1970s created the basis for the current model of subsidised urban renewal, developed from the late 1980s on. Since then, the logic regarding privately-led inner city redevelopment has not changed, although there has been an evolution from the apparent radical *laissez faire* of the 1970s to the entrepreneurial 1990s and 2000s. This latter aspect will be further examined in sub-section 8.2.3.

However, real free-market has not existed in Chile since the dictatorship. If the military regime – following its Chicago-inspired monetarist logic – reconfigured the national economy by cutting the flow of public subsidy to the local manufacturing sector, it reinforced an already existing system of public subsidy to the construction and property markets, as demanded by the historically powerful national private building sector, via further tax exemptions and introducing extremely flexible planning instruments. This state intervention contradicted the purest *laissez faire* orthodoxy, revealing in fact two things. First, Santiago in the 1970s to a large extent saw capital switching from primary into secondary circuits, as the financial sector was keen to invest its accumulated idle capital in the expanding property market. This financial investment was initially concentrated in the peripheral expansion of the city but, from 1990 onwards, increasingly focused on the growing market of large-scale inner city renewal. Second, there was a populist core in the military dictatorial apparatus that, against its demonstrated technocratic rationale, maintained the historical state subsidisation of the privately-led housing market despite its productive inefficiency. Currently, the political power exerted over the state by the National Association of Building Firms is high. This is confirmed in cases like *Ciudad-Parque Bicentenario* and also in the recently failed attempts to eliminate the VAT exemption to the sector, as examined in chapters 4 and 3 respectively.

Despite the high levels of subsidisation, the gradually more deficient housing 'solutions' provided by the dictatorship produced an increasingly pauperised periphery. This was reinforced by the violent policies of evictions implemented between 1979 and 1985. The emergence of a 'new poverty' in the peripheries of Santiago, observed in more recent times, is largely an effect of this, combined with a neoliberal strategy of transforming the role of the working-class from collectivised actors into individual market agents. Although I have not conducted comparative research to prove this, there might be considerable differences between 'peripheral' and 'peri-central' dwellers in terms of the strong belief in collective political struggle and social attachment to the place shown by the latter, because they directly or indirectly participated in the historical production of their residential space. And this specifically peri-central characteristic of identity, greatly transmitted to the newer generations, can be vital to give coherence to a social movement around the struggle for issues related to urban planning and rent gap, as was shown in CHAPTER 6.

The structural limitations of the neoliberal approach to urban development of the 1970s also implied that the social demand for urban space and housing would only be partially met by the state, being absorbed by many peri-central households in the form of *allegados*[1]. This process of informal and precarious residential densification played the vital role of a 'social' safety valve during the dictatorship, yet it also reinforced a historical problem with conflictive consequences for today's low-income peri-central *comunas*, like Pedro Aguirre Cerda (PAC). As this study identified, a central problem related to *allegados* is the incapacity of large numbers of dwellings to expand given the limitations to social housing upgrading contained in the national and local building regulations, and the limited access to public funding for upgrading. From an economic perspective, the problem of *allegados* can be understood as an effect of, but also a factor in, peri-central devaluation. And insofar as properties remain undervalued in the peri-centre, the selling price that owner-occupiers would receive in an eventual market transaction (at current market prices) would be insufficient for securing similar accommodation elsewhere.

[1] See Appendix 1-Glossary for definition.

In a nutshell, this thesis' historical analysis of the peri-centre gives considerable importance to the processes of national industrialisation and market liberalisation in the production of the material and cultural conditions that led to peri-central urban creation and destruction. This contradicts part of the literature about the Latin American inner city reviewed in CHAPTER 2, insofar as some authors have seen less preponderance of the effects of processes of national industrialisation in the creation of these spaces than their city-counterparts in the global North. This point leads to a general epistemological conclusion, which is the need to conduct more specific analyses of the urban realities of Latin America, while 'archetypical' models of Latin American urban spatiality (based on the examination of a few cases) might seem inappropriate[2].

8.2.2. How wide is the rent gap in the peri-centre and what are its effects in the space of Santiago?

It is in the context of a highly liberalised urban economy that an uneven rent gap can be observed in the peri-centre of Santiago from 1990 onwards. Comparing the three transects analysed in CHAPTER 5, several conclusions emerge. First, as observed historically, ground potential values are created through policy regulation and public investment in infrastructure. The ground rent variations experienced after the application of the urban renewal subsidy (URS) in San Miguel *comuna* and the radical transformations of Cerrillos' airport into *Ciudad-Parque Bicentenario* demonstrate to what extent public policies are needed for attracting the market of urban renewal into the formerly industrial and socially produced peri-centre. This is especially relevant in spaces where acquiring and merging fragmented plots appear unattractive to developers. The case of PAC *comuna* substantiates this too, as its visible rent gap could only be accumulated if the new local guidelines were to be approved.

[2] This also confirms both the strengths and limitations of small-N case-study methods as they can sustain processes of Analytical Inference (i.e. contrasting theoretical models with evidence) but can hardly sustain generalisations applicable to an ample array of cases. The key goal should be to find theoretical principles instead of detailed events. In the case of PAC *comuna*, political and electoral junctures may have helped to considerably shape the conflict around its Master Plan, making the nature of the case in many ways 'unique', even though, as mentioned in CHAPTER 6, the government has recently accepted that in ten additional similar cases in Santiago, there has been social contestation to local authorities (MINVU, 2008). Therefore, the structural principles and social-political connotations of the rent gap discovered in PAC could be applied to similar cases.

In the peri-centre, land value gains and therefore capitalised ground rent will increase depending on the decisions taken by an oligopoly of large scale developers operating in this market since 1998. The public strategy of the Urban Renewal Subsidy seems to be precisely to create the general conditions to allow this to happen, without exerting planned rationales on which areas are more socially convenient for redevelopment, or where this redevelopment could trickle down in a more effective way into other areas. Moreover, the most successfully renovated areas have been so far those that had better amenities and infrastructure, but not those neighbourhoods with high social needs or the areas with more available land for renewal. The latter point is substantiated by the downgraded Santiago's Inner Ring project, but more decisively by the fact that the Urban Renewal Subsidy has aimed less at inner city regeneration and more at attracting rent-seeking, market-led redevelopments.

For instance, CHAPTER 4 demonstrated that the goal of inner city repopulation, which was in the agenda set by the Ministry of Housing and Planning (MINVU) in the early 1990s, was not met. Moreover, comprehensive protection of urban heritage has been rather absent, whilst the market has largely led to the deterioration of several traditional neighbourhoods and produced a number of increasingly transient residential environments. The urban renewal market of Santiago also shows particular forms of maximised rent gap accumulation. A regular practice by developers, which is also destructive in surrounding areas, is to acquire properties at low prices and keep them undeveloped, awaiting further central-state provision of infrastructure and/or more flexible local regulations, hence keeping reserve-land for future operations. Whilst this has created destructive conditions in those neighbourhoods of the centre and peri-centre that have experienced more intense renewal, whenever and wherever municipalities have attempted to constrain urban density and permitted heights under heritage-protection schemes (as it happened in Santiago-Centre in 1998) the market has responded by descending into zones with more flexible regulation.

But the evidence suggests that the large-scale accumulation of the ground rent is also subsidised by the state, as this market's operation is based on five elements: a) a fixed state subsidy of 200 UF per every unit sold; b) gradually smaller units delivered; c) relatively stable unit prices (so the price per m^2 rises); d) increasing land values in the peri-centre, which is produced precisely by state subsidisation; and e) inexistent systems

of capture of land value rise by the state. Hence, there is a subsidised market that produces increasingly smaller residential units with stable selling prices, in plots acquired by developers before land prices soar. This evidence reveals that the public subsidy and its effects on land prices are to a large extent absorbed by market operators of urban renewal. This point also reinforces the need for transforming the current strategy of urban renewal from its essentially rent-seeking goals into a more socially concerned policy, as will be proposed in section 8.4.

In the specific case of Pedro Aguirre Cerda (PAC) *comuna*, the examination of the process of rent gap enlargement showed the particular absence of large scale developers in that space. Only some prospective activity by realtors and speculators was detected by residents and the municipality in some areas of the *comuna*. Nonetheless, this does not mean that PAC is not currently facing changes associated with urban renewal, but this fact confirms that in Santiago there are at least two types of territories of renewal. First, those subject to 'easy' redevelopment where the market does not encounter social resistance and the urban fabric and local building regulations are suitable for rapid renewal. These spaces are epitomised by Santiago-Centre and San Miguel *comunas*, where developers and realtors have found secure niches to exploit, while negative externalities are mainly constrained to destruction of urban heritage and other environmental effects associated to large-scale construction. The specialised Chilean literature has mostly focused on these spaces.

Yet a relevant conclusion of this research is that there is a second type of space of 'hard' renewal, where the leading role in opening the space for renewal is taken by the state, more specifically certain sectoral bodies and local governments. These spaces – i.e. the intensely owner-occupied areas like Santiago's peri-central *poblaciones* – are only potential markets for renewal, and thus they are not yet controlled by large-scale private firms. These have seldom been addressed by the Chilean literature. The rent gaps in these spaces are wider and more static in time, as they resemble Neil Smith's metaphor of 'urban frontiers', or the border spaces toward which the market expands. In the case of Santiago, these are the geographical boundaries of the Urban Renewal Subsidy Area, but also the spaces where urban governance becomes less accountable, its outcomes more uncertain, and the social conflicts related to renewal emerge more crudely. Whilst the social connotations of this second form of renewal are examined in section 8.3, the

political role of the state in the peri-central 'frontier' is critically scrutinised in sub-section 8.2.3.

Another main conclusion to address, precisely related to this second type of space, is the twofold nature of the actual Capitalised Ground Rent. When the land is owned by small landowners as a product of collective schemes of fragmented property distribution, like those that emerged in most neighbourhoods of Pedro Aguirre Cerda *comuna* during the industrialisation period, there appears to be a certain maximum level of ground rent, a limit to capitalisation which cannot be surpassed by the current owners. This level of capitalised ground rent can be called CGR-1, and needs to be understood basically as differential rent, produced by the currently allowed building capacities and/or by location, given all the externalities present in the peri-central area. For inner city owner-occupiers, the CGR-1 is the price they would receive for their plots in an eventual sale under the current regulatory conditions. Although this price is comparatively low, should the urban renewal market enter into a given neighbourhood, the price can increase up to a certain value only. This is evident in the limited increase of the ground value curves observed in San Miguel, Cerrillos and PAC, as shown in CHAPTER 5.

However, following changes in local urban and building regulations, a considerably higher level of potential ground rent emerges. If this is to be capitalised, it can be only done by developers involved in large-scale dwelling production and able to brush aside the strict restrictions imposed on more modest, small scale housing projects enshrined in national and local building regulations. This second level can be called CGR-2. This is classically class-monopoly rent, as it is only realised by agents with enough financial credit and capacity for construction at a large scale, being also the only ones that can meet the tight norms established by the national and local regulations in their quest for maximum profit[3]. At any rate, this is the potential ground rent that interests large scale private developers and that peri-central municipalities would like to 'produce' in their local spaces. But the CGR-2 may be not only a highly profitable potential rent accumulated but also, as confirmed by this research, a predatory way of extracting

[3] CGR-2 might also be a form of Differential Rent II, according to the definition given in sub-section 2.3.1 (see page 57).

ground rent in a certain space, given the environmental and urban effects that its production generates in surrounding areas.

There is a clear separation between these two levels of capitalised ground rent, and this division is produced by the capacities of control of land supply by developers and the state monopolisation of building capacity contained in building regulations (the grassroots' intervention in the redrafting of PAC Master Plan was key in counteracting this monopolisation). Since developers acquire land at a faster rate than it valorises due to changes in the building regulations, they are able to capitalise the highest rent minus the (lower) price of the land paid to the original homeowner (received by those as CGR-1).

This issue is important, since the Marxian contradiction between productive capital and idle landlordism – as an inherently capitalist conflict seen in CHAPTER 2 – seems to be resolved in Chile through the full appropriation of both resources: the land and the means of exploiting it, by urban agents who monopolise that exploitation. Based on Smith (1979), and more specifically Clark (1995), and including these two different levels of rent, my interpretation of the rent gap theory is represented in the scheme below (compare with Figure 2.2, page 65).

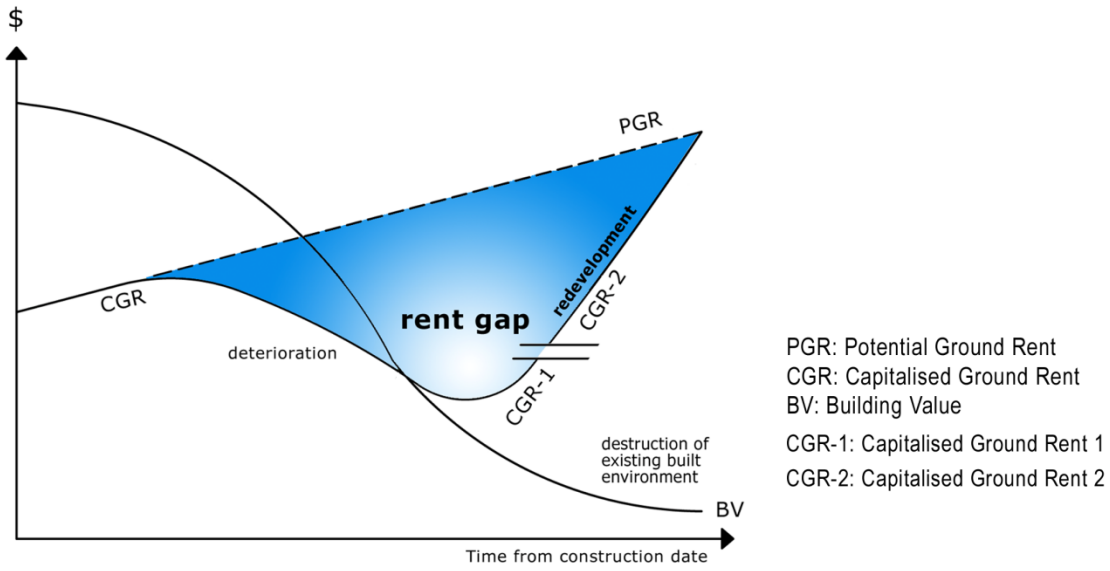

Figure 8.1. Rent gap model adapted to Santiago

The general phases of CGR devaluation seem to occur in Santiago as predicted in the theory – though with some specificities – as the process of revaluation and replacement of the existing fixed capital experiences the separation between CGR-1 and CGR-2. Although specific evidence of landlordism, blockbusting and blowing-out (see section 2.3 for a definition of these concepts) could not be detected in Santiago, there is enough evidence to claim that the general model of urban renewal in that city rests on an institutionalised system of *redlining* which works through national norms and local master plans, in order to reduce building capacity in targeted spaces, whilst the flow of resources from the central state for neighbourhood upgrading is redirected and to some extent manipulated by municipal agencies. From this realisation, the third research question of this study can now be answered.

8.2.3. What are the main policies and agents of rent gap enlargement and accumulation in Santiago and how do they operate in PAC?

According to the rent gap theory, the only way that an increased potential ground rent can be realised is by devaluing and finally destroying the outmoded fixed capital set on the space. But in Santiago's peri-centre, developers are actually not capable of doing this in most low-income areas, because they find social resistance to this destruction. Hence this must be brought on by the state, especially the municipal administration. In fact, it has been shown theoretically in CHAPTER 2 that a main goal of urban entrepreneurialism is precisely to devalue the space and allow the access of financial capital into the city, and this might comprise aggressive and even revanchist practices towards the existing social context that ought to be transformed. In Santiago, one way is to stop alternative ways of renovation and upgrading by keeping low the local capitalised ground rent.

The case of PAC confirmed the extent to which public sector actors are influenced – not conditioned – by the destructive and inherently exclusionary logic of entrepreneurial urbanism. The same applies to municipal technical officers and hired private consultants involved in local urban planning. Their discourses reveal powerful ideological aspects related to large-scale urban renewal: the peri-centre is generally blighted by the state, more specifically by the actors who speak on behalf of it, as an outmoded space,

practically uninhabitable. Yet this appraisal does not come from rigorous analyses conducted at a local level but responds to broad generalisations. For instance, urban space that only twenty years ago was considered inhabitable, today is no longer so, despite the fact that it has retained similar environmental conditions, active social networks and spatial proximity to work, services and transport networks. Perceptions by peri-central inhabitants and objectively conducted assessments about the quality of their living environment are not included in the public sector's diagnoses. This lack of feedback was also a major problem at the stage of diagnosis in the process of rezoning in PAC *comuna*. However, while this research proved that decay takes place in certain peri-central areas of Santiago only, the main solution to 'peri-central decay is presented by the Chilean public sector, mostly MINVU, as a system of high density, privately-led, *laissez faire* urban redevelopment in a central and peri-central area covering 8,500 hectares, firmly based on the idea of a desirable urban image to be implanted at any cost in this zone.

A second aspect of discourse is the de-legitimisation, by official channels, of processes of social contestation like the one experienced in PAC. This reveals the extent to which there might be a sense of technical and even moral superiority in regard to the working-class peri-central space. It also reveals how, currently, grassroots' mobilisation and social opposition to urban entrepreneurialism is associated by the state to forms of misbehaviour. A question that arises then is to what extent perceived class differences between public officers and peri-central inhabitants 'nurture' the entrepreneurial approach to peri-central development shown by the public apparatus. My analysis of most of the official informants' interviews revealed several aspects of class-bias in their discourses, as could be seen especially in CHAPTER 6.

The municipal government of PAC acted in accordance with these stances but even in more straightforward ways. The evidence shows it deliberately curtailed the flow of resources for housing upgrading as a way to devalue spaces targeted for urban renewal. Not only PAC but practically the whole southern peri-centre is clearly where the lowest results of application of the *Fondo Solidario de Vivienda* national programme concentrate, whereas many other low-income *comunas* in the periphery show considerable better rates of application. Although this concentrated misapplication in some places might be due to electoral calculations, in general these underperforming

peri-central *comunas* are those that have established aggressive strategies for market-led urban renewal. Also, many strict norms contained in the National Law and By-Law of Planning and Construction (LGUC and OGUC respectively) applied in the national territory are incompatible with small scale upgrading projects in the peri-centre, as the several exceptions contained in these bills that may ease the regulations to small scale construction seem discretionally monopolised and curtailed by the municipal apparatus. PAC municipality also attempted to transform its local urban regulations seeking to increase building capacity, encourage plot merging and make feasible building at higher-densities. This revealed that, in fact, their preference was for large-scale redevelopment. The case of PAC showed that the correlation between an enlarged potential ground rent and institutionally induced building and ground rent devaluation is more than plausible.

Nevertheless, if in terms of ideology and discourse, PAC municipality responded to an entrepreneurial logic, in terms of practice, its performance was particularly contentious. First, the local administration did not show too much imagination in creating new ways of private-municipal partnership management, similar to those CORDESAN accomplished in the 1990s in Santiago-Centre. As seen in CHAPTER 4, this agency, and also the most recent experience of *Ciudad-Parque Bicentenario*, fulfilled the five main aspects of entrepreneurialism defined in the theoretical chapter[4]. Santiago-Centre municipality also showed an impressive capacity to articulate its several goals of inner city reinvigoration (i.e. urban regeneration, market-led redevelopment and repopulation) with the broader goals of converting Santiago's CBD into a more competitive regional market centre. On the contrary, PAC municipality, at a smaller scale, showed low capacity to actually activate the market of renewal in its territory as its intervention was purely reduced to increasing the local potential ground rent and imposing a new local urban road structure.

Second, PAC municipality showed aversion to political confrontation and/or negotiation of its entrepreneurial agenda with its own citizens. In fact, its discourses were based on a stigmatisation of many residents and their *poblaciones* as spaces of crime and thus

[4] i) Capacity to attract external funding into the renewing place, ii) contradiction with traditional previous managerial ways, iii) use of transport and communication improvements for land appreciation, iv) focus on discrete strategic places, and v) a 'growth-first' approach to development.

subject to cleansing and large-scale renewal. Moreover, public scrutiny was inexistent during most of the process of Master Plan redrafting, until the grassroots resolved to intervene in it. Although the municipality might argue that the lack of positive results from that process was due to the extreme politicisation of the grassroots, it seems relatively clear that there was a substantial lack of institutional commitment in establishing more consensually adapted conditions for the plan to succeed.

These series of facts reveals that in Santiago, rather than a sophisticated entrepreneurial practice conducted by a cohesive state, there are entrepreneurial goals, conducted with uneven capacities and results by different institutional actors. And here, again, the separation between spaces of 'easy' and 'hard' renewal becomes evident. In the case of the latter, real resources for activating a local market of urban renewal are more present in the central-state bodies and regulations, whilst the potential political costs of these actions are transferred to peri-central municipalities. Even involuntarily, municipalities like PAC might be currently acting as buffers for the political reactions by potentially dispossessed local people against policies conceived at central state levels. And the municipal policy of 'facilitation' may be also more aggressive[5]. Although the evidence based on a single-case study is not enough for establishing generalisations, PAC confirms that the level of intervention that local people can exert is enough for temporarily transforming urban regulations at a local level but not intervening beyond, in the national regulations that accelerate the devaluation of peri-central land.

In sum, the observed state intervention makes possible the realisation of the potential ground rent only for large scale developers by keeping immovable the insurmountable limit between CGR-1 and CGR-2. However, in my view, rent-gap theorisers may have failed to detect the relevance of state intervention in the production of rent gap and the forms of accumulation it fosters. The case of Santiago shows that an enlarged potential ground rent is made possible by lax urban guidelines, while tight regulations on housing

[5] This study revealed the particular dialectic entrepreneurialism/revanchism in Chile. Whilst the former is practiced in many different (effective and ineffective) ways by the state, the latter is arguably a policy followed by local governments. No 'zero-tolerance' policies, no police or military power was observed. Nevertheless, the state apparatus depicted PAC grassroots' struggle as an unfair confrontation over urban rights between the few (the peri-centrals) and the many (the rest of the city). This can be seen as a form of 'blaming the dispossessed'. As this research proved, PAC residents were not mobilised by a 'not-in-my-backyard' attitude but by a collective defence of the interest of at least 26 *poblaciones*.

upgrading can be forms of 'institutional' redlining in densely and legally occupied areas. The latter may be a phase of devaluation and rent gap enlargement, yet are exerted not by banks and/or finance institutions (as the rent gap theory predicts) but by central and especially peri-central municipal governments that respond somewhat frenetically to the *laissez faire* competition set within the URSA. Valuation and devaluation exerted by the local state seek to attract the supposed benefits of large-scale urban renewal, but this contradicts the goals of other state policies aimed at adding use and exchange value to the low-income spaces of the city without dispossessing their current owner-occupiers.

In sum, two issues must be highlighted. First, the state as a whole cannot be characterised as a monolithic actor, but as the sum of many – usually contradictory – apparatuses and policies. Second, notwithstanding this, the devaluation of actual ground rent and the monopoly accumulation of higher potential ground rent are processes manipulated by public policy. Inner city gentrification exists in Santiago de Chile and it is politically constructed.

8.3. Towards an appropriate conceptualisation of gentrification in Santiago

As anticipated in this thesis' introduction, some particular points observed in this research present something of a challenge to the structural principles of the rent gap theory (outlined in CHAPTER 2). In general, the literature about inner city gentrification has been mainly produced in (and focused on) western cities of the global North. Very few contributions have been produced in the global South including Latin America. However, this research confirms that gentrification does exist in a peripheral country like Chile and that the phenomenon responds to generally established theoretical principles, although with several particularities.

There is a noticeable difference in the scale of capital, as the intervention of large scale global financial reinvestment is not a necessary condition for capitalist urban creative destruction in Santiago. Furthermore, the scale of capital involved in the urban renewal of Chile's capital city, as shown in CHAPTER 4, could seem irrelevant when compared

with the scale of capital involved in the redevelopment of the largest cities of the global North.

Yet the theory of rent gap has probably not focused enough on the abovementioned social effects that the rent gap produces in owner-occupied, low-income areas, where dispossession of capitalised ground rent leads to displacement towards more disadvantaged locations in the city, as was seen in chapters 4 and 5. Even if no displacement has yet been seen in an area of a city experiencing a process of renewal, observed forms of potential dispossession of an increased capitalised ground rent (such as severe restrictions on upgrading imposed on social housing, with the perverse effects that this generates on small-scale owners) may suffice for gentrification to exist. A main conclusion is that gentrification in a city like Santiago, more specifically in a 'frontier' *comuna* like Pedro Aguirre Cerda (PAC), may not necessarily be an evident phenomenon, in the way described elsewhere by sociological studies, but is instead evident in the generation of the material conditions for class-monopoly accumulation of ground rent in an area with high levels of property-ownership. I call this particularity 'gentrification by dispossession of the ground rent'.

Thus gentrification in most parts of the peri-centre of Santiago seems to reflect less the type of radical class-contradiction between different income groups (as a significant part of the cultural-based theory of gentrification essentially claims) and more a specific type of contradiction between an existing working-class stratum and the urban entrepreneurial logic, policies, market and state actors seeking to renew that space. It is for this reason that I argue that theoretical approaches to 'rent gap' gentrification need to be more open to document forms of social contestation. This may imply a necessary adaptation of the theory of gentrification to cities such as Santiago, and possibly other Latin American cities too, and the need to recalibrate the roles of the social and economic actors in processes of gentrification and/or renewal as described in the international literature. In peri-central areas like PAC, the state and the grassroots are more relevant as factors of gentrification than developers and upper-class newcomers.

However, dialectically, as the case of PAC proved, better knowledge about the appearance of a rent gap could also be an effective political means for urban movements of low-income local owner-occupiers, to help them understand their potential losses of

capitalised ground rent and mobilise them to stop (or at least temporarily manage) waves of large scale urban renewal impacting on their territories.

In fact, probably the most important realisation gathered from the fieldwork is that Santiago's peri-central *poblaciones*, originally born as working-class enclaves, represent essentially use value for their residents. Their complex social and economic relations are inextricably intertwined with their physical structures, while the existing fixed capital seems almost irrelevant as exchange value when compared to the city's average property prices. The peri-centre serves extremely useful social functions that nevertheless do not fit into the developmental rationales of state planners, nor do they appear in the official land market indices.

The concept of 'spatial fix' helps to understand the latter characteristic. As defined in CHAPTER 2, 'spatial fix' is a property of the fixed capital that, due to its inherent characteristics, locks a certain level of ground rent. In material terms, the quality of the buildings and infrastructure in the peri-centre firmly locks the capitalised and potential ground rent, hence the need by the market to devalue and destroy it. Nonetheless, it must be stressed that many *poblaciones* in Santiago's peri-centre represent a spatial fix which is extremely rich in social terms and in terms of organisation capacity of their inhabitants. This observation substantiates why rent gap theory must be conceived and interpreted from Marxian principles, "because value expresses not merely a relation between one commodity and another, as does price, but rather the relation between the price of the commodity and the labour objectified in it" (Marx, 1973: 446-447). Use value is what makes urban space more or less resilient to market-based spatial reconfigurations and the risks associated to speculation with urban land.

Social characteristics of the peri-centre are mainly its working class consciousness and mobilising social capacities, which were key in its historical constitution and are still valid and effective resources for political struggle[6]. This was proved by PAC

[6] Yet, for this research, the relevance of the influence of PAC grassroots in the process of Master Plan redrafting emerged during the fieldwork and was not anticipated in the theoretical writings. This was a deliberate decision that became increasingly relevant as a complementary element to introduce in the structural logic of gentrification. The goal was to avoid a pre-established, complicated social theorisation attached to the rent gap theory. This point also confirms the relevance of the deductive-inductive stance

communities between 2003 and 2005. In general, a shared sense of historical continuity and a social duty to preserve what past communal actors achieved could be perceived among the grassroots interviewed. And yet, on the other hand, PAC grassroots leaders accept that the currently lower levels of political participation and negative factors like drug dealing and crime undermine their social base. Furthermore, and although this was not an element specifically addressed in this research, it is a fact that practically all PAC local leaders are women (see Appendix 5 for a list of interviewees). This comes from the very foundation of the working-class peri-centre of Santiago, and the observed historical need of resolving gender contradictions and strategic leadership from early on in the original configuration of the *campamentos*. As CHAPTER 3 examined historically, female *pobladoras* were seen either as potential political leaders or housewives, but not both. Past and present social attributes are synthesised in the current peri-central grassroots movements.

Peri-central people's concerns about urban issues have also changed from those in the 1960s and 1970s. As factors to overcome, peri-central grassroots today face the expansion of their households in precarious living conditions that lead to increasing number of *allegados*. As factors to protect, their struggle is to defend their high levels of owner-occupancy and recognition of their locality, by the authority, as political patrimony, and even as the result of almost two decades of fighting military state power. Yet more than a largely symbolic social capital, the peri-central land represents material social capital. Their status of proprietors endangered by PAC municipality's attempts at expropriation triggered the reaction of PAC communal actors. However, the same reason meant that their mobilisation was constrained practically all the time to institutional ways. The grassroots, instead of simply opposing the rezoning via mobilisation and disruption of the top-down process of planning, intervened in it and forced the private consultant to deliver a Final Draft which was much closer to their own assessments and expectations, while attempting to change the material conditions for urban renewal within legal boundaries.

The evidence also suggested that the ability to perform changes deployed by PAC community was high because of the technical knowledge their leaders acquired from

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proposed in CHAPTER 1, or in other words, that in urban research, theoretical conceptualisation and empirical observation ought to have equal weights.

external parties. This is not unique, as external technical support was a key element in the historical production of the peri-centre too. In sum, the current social contestation of PAC grassroots proved a synthesis between historical social struggle and a post-dictatorship movement of owner-occupiers collectively mobilised by the potential dispossession of their economic asset.

8.4. Policy implications

In many ways, the enlargement of CGR-1, were this conceived as exchange or use value, should be a matter of public policy. Central state bodies provide resources for an incremental, small-scale urban renewal in peri-central *poblaciones*, but these resources are not being efficiently allocated due to inconsistencies within the state's own regulations, and the lack of supervision and social accountability regarding the application of that funding by local governments. Thence, the *Fondo Solidario de Vivienda* programme (or a different, improved version of this) ought to act more independently from unintended, or even deliberate, municipal mismanagement, while central and regional MINVU should have a much greater role to play in monitoring the programme. A more widely spread and better focused model of mid-density urban renewal could create more residential capacity than the current privately-led, large-scale model, helping to reverse more decisively the loss of population from the peri-centre, support small building enterprises, and even foster micro-rental housing markets.

In addition, a reconfiguration of the state-subsidised, privately-led model of urban renewal seems necessary for Santiago and probably other large Chilean cities too. Several, better localised zones for intensive large-scale renewal might be more effective than the current single, large Urban Renewal Subsidy Area within which regulation is guided by a *laissez faire* approach. These zones would not interfere with the most needed spaces for social housing upgrading. Moreover, the main stakeholders in the urban renewal of these cities should no longer be the large-scale developers. Since the accumulation of the 200 UF of Urban Renewal Subsidy and most of the increasing CGR largely benefit large-scale developers, public sector efforts should be aimed at creating a more socially responsible alternative for peri-central renewal. The emphasis should be placed more in the social capitalisation of the CGR-1 and less in the amplification and

class-monopoly accumulation of the CGR-2. The Chilean state can, and must, intervene and modify the current *laissez faire* logic in the urban renewal of the peri-centre.

In sum, if there must be a peri-central-oriented urban renewal policy in Santiago, it should not be based simply on trading-off urban plots at their current exchange values, but on recognising the high potential of the land in terms of the use value for the people who inhabit it.

8.5. Projecting research to the future

Three topics emerge from this case as further potential research projects. They arise largely from the limitations of a single-case study like the present one. A first area that needs more in-depth understanding is the historical conditions of production of the peri-central space, not only in Santiago but also other Latin American cities. A theoretical model could be based on the four main factors of urban production addressed in CHAPTER 3, i.e. i) ground rent speculation, ii) national modernisation with economic industrialisation, iii) state urban regulation, and iv) empowered urban social movements. This model could be tested in, and compared with, other national and international cases.

A second research area consists of more specific observations of rent gap in other areas of Santiago's peri-centre, or in other cities' peri-centres, whilst the use of more detailed cadastral information and other sources of historical land transactions could be useful. This observation should be complemented with more detailed analysis and engagement with market agents, especially developers and realtors, and a specific monitoring of the amounts of rent accumulated by the different intervening actors through the processes of renewal. In fact, an important goal should be to accurately quantify CGR-1 and CGR-2, which have been identified mostly conceptually in this thesis.

The third area of further research is related to action-research and consists of exploring alternative forms of peri-central social housing and neighbourhood upgrading in Santiago, with a view to add use and exchange value to the properties and so help reduce the gap between the CGR-1 and CGR-2. Such a research project should lead to policy recommendations for strengthening social housing upgrading programmes in

Chile, and is more closely related to Architecture and Urban Design. That research design should also consider the participation of peri-central communities, using their demonstrated organisational capacities and their potential for understanding technical issues, as documented in this research.

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Appendix 1. Glossary

The main goal of this appendix is to define particular concepts related to the urban development of Santiago. A secondary goal is to expand the definition of general concepts used and briefly defined in the thesis. Although these concepts might be well known by the reader, the goal here is to contextualise them in social, economic, cultural and/or geographical dimensions, specifically in Chile and/or Latin America.

***Allegados*:** Drop-in guests, people or households that inhabits someone else's dwelling or backyard patio, usually kin to the homeowner, as temporary solution for their economic incapacity to own or rent a dwelling. After the military coup in 1973, as land seizures and *campamentos* were banned, and many people were economically disqualified by the public system of housing subsidies by the regime, the number of *allegados* dramatically increased in Santiago (Gilbert, 1996; Klaarhamer, 1989). By 1985, 53% of Chilean households shared space with additional families (Collins and Lear, 1995). This was one of the acutest social problems in Chile during the 1970s and 1980s (Sugranyes, 2006). Similar forms of informal emergency accommodation are known as 'backyard shacks' in South Africa (Morange, 2002).

Alliance for Progress: *Alianza para el Progreso*. Financial and social aid programme from USA to Latin America performed between 1961 and 1970. It comprised a total of US$ 20,000 million to be allocated through the Inter-American Development Bank (IDB) and the Pan-American Development Foundation (PADF). In the event, only 12 billion were disbursed. Among other ends, the aid was aimed at counterbalancing the 'Cuban communist threat' to the US interests in the region. It contributed to finance large scale, affordable housing-urban projects and infrastructure across Latin America. In Santiago, the *Operación Sitio* programme received considerable funding from this programme.

Autonomous *Comunas*, Law of: *Ley de Comuna Autónoma*. Passed in 1891 after the civil war that one year earlier overthrew constitutional President Balmaceda. This complete municipality-based reorganisation of the Chilean urban and rural territory was

far more efficient than the previous scheme based on provinces, yet it allowed and reinforced political power and corruption exerted by oligarchic families in those municipalities, facilitating, among other things, class-monopoly speculative control of land subdivisions and ground rent accumulation.

***Barrio Alto*:** Metropolitan eastern macro-zone where Santiago's affluent population concentrates. The *barrio alto* started to be developed in the late 19th century but its development intensified from the 1920s onwards. Currently, *Barrio Alto comunas* are Providencia, Las Condes, Vitacura, Lo Barnechea, La Reina and Ñuñoa. From 1979 to 1985, the dictatorship evicted people who lived in *campamentos* and legal state-built *poblaciones* from this area, considerably increasing its socio-economic homogeneity (see Appendix 2).

Brunner, Karl: Austrian planner who worked in University of Chile, Santiago-Centre Municipality and Ministry of Public Infrastructure between 1929 and 1934. His major legacy in Chile was the 1934 Plan for Santiago *comuna*. This plan would be the first serious attempt to consolidate urban regulation at metropolitan level, integrating physical, functional, cultural and aesthetic dimensions (Cáceres, 1996). The Plan differentiated three concentric rings of marked socio-spatial differentiation. Brunner aimed at 'modernising' Santiago, even its most deprived areas, recommending incentives to the upper class for returning to the centre. However, the legal approval of the Plan took place only in 1939 (De Ramón, 2000). As previously occurred with the National Law of Planning and Construction (LGUC) between 1931 and 1936, this fiver-year gap accelerated speculation and accentuated sprawl in the areas to be most controlled by the Plan. Twenty years after its approval, Brunner's Plan proved inefficient at controlling the expanding territory, had lost its original quality due to successive amendments (Parrochia, 1996a) and had to be replaced by the 1960 PRIS. However, Brunner's zoning continued in force in Santiago-Centre *comuna* until 1990, when it was radically changed, in order to promote market-led urban renewal.

***Callampa*:** Pejorative term in Chilean slang, used to describe informal settlements created by the poorest rural immigrants settling in the city, especially during the 19th and most of the 20th centuries. They located in the worst or most dangerous peripheral areas (other forms were *conventillos* or as *allegados*). *Callampa* literally means

'mushroom'; the association might come from their spontaneity, speed of growth, or even their location in usually wet land, i.e. riversides or channels. The term is still in use.

***Campamento*:** Extremely organised squatter movement in which the land has been seized and developed through self-help construction. *Campamentos* are different to *callampas* because the former were more organised and many of them have been consolidated. They were intensively developed in Santiago mainly from 1957 to 1973, with some sporadic cases in the 1980s during the military dictatorship. What makes Chilean *campamentos* unique was their self-sufficient organisation and resistance to state and right-wing opposition, although they usually depended on a political party. For the latter reason, Manuel Castells supposed that Chilean *campamentos* lacked social agency and had limited chances for consolidation (Castells, 1974, 1985a), but more recent evidence proved that many of them turned into 'normal' *poblaciones.* One of the most significant *campamentos* (and probably the first one) in Chile is La Victoria, started in 1957 and, as this thesis substantiates, currently a vital *población* in the southern peri-central area of Santiago.

CESCO*, Consejo Económico y Social Comunal*: Local Economic and Social Council. Municipal institution composed by the mayor, local councillors and organised communities. CESCO is convoked in specific moments for, among other duties, assess and give approval to new master plans.

Chilean Way to Socialism: *Via Chilena al Socialismo*. Alternative name given to the process of national social and economic radical transformation, led by the government of the Popular Unity, headed by President Salvador Allende (see Appendix 3 for list of national presidents).

***Comuna*:** Administrative local-level territory governed by a municipality. Its space is regulated by a local urban master plan. The term can be used to refer a territory, the people who inhabit it or the municipality that governs that territory. Greater Santiago Metropolitan Area (GSMA) comprises 34 *comunas*. See Appendix 2 for map of GSMA.

***Concertación de Partidos por la Democracia*:** Concerted Action of Parties for Democracy. Political coalition that has governed Chile since the end of the dictatorship,

in 1990. Notwithstanding *Concertación* included Communists until 1992, its current party members are: Christian Democratic Party (PDC), Socialist Party (PS), Party for Democracy (PPD) and the Radical Socialist Democratic Party (PRSD, formerly Radical Party, of social-democratic orientation). Since 1990, four consecutive *Concertación* presidents have taken office in La Moneda presidential palace, namely Patricio Aylwin (1990-1994), Eduardo Frei (1994-2000), Ricardo Lagos (2000-2006) and Michelle Bachelet (2006-2010); see Appendix 3. In the national mayoral elections of 2008, PS and PPD parties forged an agreement with the Chilean Communist Party. This let social leader Claudina Núñez be elected as mayor of Pedro Aguirre Cerda.

***Conventillo*:** A form of maximised multi-occupation of a site or building, usually in a dilapidated house, located in central or peri-central areas. Historically *conventillos* have been associated with social malaise, sickness and lack of opportunities, but they represented (for their residents) far better location than the more distant *callampas* or *campamentos*. From a historical bourgeois perspective, *conventillos* were, on the one hand, forms of milking capitalised ground rent by oligarchic or bourgeois speculative property owners; on the other, they helped to reduce the building value and dilapidate the neighbourhood, this increasing the rent gap in the area. In Argentina, equivalents are called *inquilinatos*; in Mexico, *vecindades*.

CORDESAN, *Corporación para el Desarrollo de Santiago*: Corporation for Development of Santiago. Municipal-private agency which since 1985 promoted, and from 1992 to 1995 managed, the process of large-scale urban renewal in Santiago-Centre *comuna*. The entrepreneurial model of CORDESAN was later exported to other peri-central *comunas* with uneven results.

CORFO, *Corporación de Fomento de la Producción*: Corporation for Productive Development. Created in 1939, this state agency was central for underpinning the next 35 years of national import-substitution industrialisation. It created new, and monopolised already existing, productive capacity, developing macroeconomic policies and installing and financing new manufacturing infrastructure and entrepreneurial capacities in the country.

CORMU, *Corporación de Mejoramiento Urbano*: Corporation for Urban Improvement, founded in 1965 during Frei's national administration. Officially closed in 1976 by the military dictatorship. It was dependent on the Ministry of Housing and Planning (MINVU) and its main goal was the densification of central and peri-central areas through projects aimed at middle-income population. CORMU was responsible for many innovative collective-housing projects, using principles of modern architecture. It organised an international project competition for remodelling a peri-central western quarter close to the CBD, as part of the 1972 International Housing Exhibition to be held in Chile, sponsored by the government and the International Union of Architects (IUA). Nevertheless, compared with the large scale of the current market-led urban renewal, in quantitative terms, CORMU's production in Santiago's inner city might seem irrelevant.

CORVI, *Corporación de Vivienda*: Housing Corporation. Created by Ibáñez's military dictatorship (1927-1932) but actually operative since 1953 during democratic Alessandri's government (1952-1958), this public agency promoted intensive production of 'affordable' and social housing mainly located in the periphery. CORVI articulated public and private sectors, it had attributions to expropriate and buy land, build, sell, lease and swap properties, request and provide loans, open accounts, accept and endorse bills of exchange, sign business documents and credits, secure its obligations to mortgages, pledges, ballot banking, insurance, and generally perform acts and contracts necessary for its purposes (Hidalgo, 2005). CORVI developed the Housing Plan in 1953 with the also newly created Planning Office of the Ministry of Public Works. CORVI promoted academic research on new materials and methods of construction, developed and implemented a plan for streamlining and mechanisation of the construction industry, and coordinated, together with the Ministry of National Defense's Military Service Labour, the Housing Plan prepared by the Ministry of Public Works. When MINVU was created in 1965, CORVI became part of its apparatus, though it did not lose its administrative independency and relatively progressive political orientation. It was closed in 1975 by the dictatorship.

CPB, *Ciudad-Parque Bicentenario* Project: Large urban project sponsored by the Chilean state, located in the peri-central south west area of Santiago, more specifically in the site of the former Cerrillos Airport. CPB is a 250-hectare intervention comprising

residential, office, retail, service and manufacture activities, including a 50-hectare Central Park. By 2009, the project is still in construction.

Dependent Countries: Nations of the global South which enter into the centre-periphery relations imposed by the industrialised powers, constrained by forces such as "multinational corporations, international commodity markets, foreign assistance, communications, and any other means by which the advanced industrialised countries can represent their economic interests abroad" (Ferraro, 1996). Castells stresses the fact that capitalist independent and 'dependent societies' develop analogous patterns of urban land monopolisation and class-related conflict in the urban realm (Castells, 1985b; Susser, 2002). Quijano (1967, 1968) argued that high levels of international economic dependency produced the emergence of masses of economically and socially marginalised population (mostly rural), unable to participate in the capitalist, externally-commanded national system of production.

DFL2, *Decreto con Fuerza de Ley N° 2*: Promulgated in 1959 by Alessandri's government and still in force in Chile, the DFL2 is a law for tax exemption to builders of the so-called 'affordable housing', namely properties with an area of less than 140 m^2. Given that the DFL2 tax exemption is financed by considerable state effort, and about 95% of the dwellings produced in Chile fall into this category (Astaburuaga, 2005), many scholars claim that the economic goals of this policy favour the bourgeois housing sector, both builders and owners (see for instance Gilbert, 1993; Kusnetzoff, 1987; Rojas, 2001).

***Diputado*:** MP, Member of the Lower Chamber in the National Parliament.

ECLAC or UN-ECLAC: United Nations Economic Commission for Latin America and the Caribbean. This influential think tank nested the main theories of development in the 1960s, partially a Marxist-rooted dependency theory, being also close to Theory of Marginality during the same period. ECLAC's role in establishing the conceptual basis for the constitution of the modernising regimes in Latin America and their processes of import-substitution industrialisation (ISI) during the 1960s until 1973 was indisputable (Hopenhayn, 1995).

***Ensanche*:** Literally 'widening'. The concept was used in Spain in the late 19th century to name the planned new expanded urban areas of industrialising cities and the construction of neighbourhoods under grid plans (e.g. Barcelona's *ensanche* or *eixample*). The term was used by PULSO, the consultants hired by the municipality of Pedro Aguirre Cerda, in its First Draft Master Plan to name the high-speed corridors that would have crossed the *comuna* north-south and west-east. According to the zoning proposed, the borders of these axes would have comprised medium-size buildings. See section 5.4.

Executive order: In Chile, an Executive Order (*Decreto Ley*) is a legal procedure for passing laws directly from the executive power in cases of "extraordinary and urgent" necessity, e.g. when the parliament has been suppressed (Figueroa, 1996).

Fordism: A regime of accumulation that dominated the capitalist world from the 1930s to the early 1970s. According to Ritzer (2000), its main characteristics are: a) mass product of homogeneous production; b) inflexible technologies (assembly line) and standardised labour routines; c) big economies of scales for increasing productivity; d) homogenisation of labour which resulted in mass workers and bureaucratised unions and forms of negotiation; e) growth of market and consumption patterns for homogenised products of mass-consumption productivity; f) a rise in wages generated by unionisation, leading to an increased demand for mass-produced assets; g) this market for products was often controlled by a Keynesian macroeconomic policies, but the market for labour is handled by collective bargaining supervised by the state, and h) a mass educational system which provides the mass workers required by the system.

Althusser (2001) claims that the latter point is an essential means for perpetuating the 'ideological state apparatuses'. Different world Fordist policies had in common the acceptance that "the state should focus on full employment, economic growth, and the welfare of its citizens, and that state power should be freely deployed, alongside of or, if necessary, intervening in or even substituting for market processes to achieve these ends." (Harvey, 2005: 10)

This regime of accumulation grew during the 20th century especially in USA, reached its peak in the 1960s and started to decline in the early 1970s, especially with the oil

crisis of 1973, the consequent fall of the North American automobile industry, and the radical reconfiguration of the manufacturing system in this country and Western Europe. Therefore, it became essentially as antinomy to more advanced and flexible forms of production (Hirst and Zeitlin, 1989). World Fordism had major implications in the development of peripheral economies like the Chilean one, especially related to the cultural imposition of *Rostowian* principles of growth-accumulation-take off, the fixation of prices of commodities and the exportation of old fashioned technology, both commanded from the US. Some Chilean scholars address the implications that Fordism, as ideology and policy, had in the urban development of the country, from the 1930s onwards (Daher, 1996; De Ramón, 2000; Palma, 1984; Raposo and Valencia, 2004; Raposo *et al.*, 2005). This latter point is core for the analysis in CHAPTER 3.

GSMA, Greater Santiago Metropolitan Area: *Área Metropolitana del Gran Santiago*, composed of 34 *comunas* located in the middle of the Region of Santiago. Thirty two of them belong to Santiago Province, while San Bernardo *comuna* belongs to Maipo Province, and Puente Alto *comuna* belongs to Cordillera Province (See Appendix 2).

Housing Emergency Plan: *Plan de Vivienda de Emergencia.* To be implemented by the Popular Unity government between 1970 and 1976, the Plan aimed at reducing definitively the national housing shortage. Its goals were: a) to undertake a comprehensive programme of housing production, services and infrastructure; b) to give the Chilean workers access to decent housing with real chances of social/urban integration; c) to increase building-related jobs; d) to boost the building sector and the production of building materials; e) to promote the industrialisation of the housing sector by opening new sources of production and general economic incentives (Raposo and Valencia, 2004). The plan was highly successful in 1971 (nearly 80,000 units produced by the state only) but dramatically reduced to 35,000 in the forthcoming years. The Plan was eliminated in 1973 by the military Junta.

Import-Substitution Industrialisation (ISI): Basically, a historical process experienced by peripheral countries that attempted to reverse their dependence to the industrialised world through the local production of manufactured products. In Latin America, most countries, led by the UN Economic Commission for Latin America (ECLAC), went through processes of ISI in the 1950s and 1960s, especially Mexico,

Brazil, Argentina and Chile (Gatica, 1989). This happened much as a result of the World War II and the momentary readjustment of the global market, the international division of labour and its uneven north-south relations of dependency. However, according to Biel (2000), and although the virtuous cycle of increased demand with domestic production might have seem a step towards economic independence (seen from the perspective of the newly industrialising countries), the fact is that in global terms, ISI was an outcome of international capital looking for cheap labour and hence higher surplus in the periphery. Nevertheless, this mode of regulation implicitly had an end. In peripheral countries, the more the demand grew, the more salaries increased; thus this essentially capitalist system became unsustainable. In the 1970s and 1980s, following *Ricardian* premises of international comparative advantages, most Latin American countries restored their neo-colonial relations of production/consumption.

Some authors argue that in Chile there were internal political and economic preconditions, specifically since the Great Depression, that conditioned an earlier beginning of ISI, in the late 1930s (Salazar, 2003). In fact, although Chile was severely hit by the Great Depression, the recovery begun in late 1932 through a pragmatic policy of selective stimulation of internal production, as institutional, political and economic capacity installed before the Great Depression helped to stabilize the national situation (Marfán, 1984). From then on it would be clear that only the state had the capacity to manage capital and obtain external credit and necessary technology. It was therefore necessary to modify structural situations inherent to a small peripheral country, going in counter flow to the inertia of capitalism in that period (Moulian, 1997). Just before the World War II, the governing Popular Front turned into monopolise almost all the productive sectors and macroeconomic policies, installing and financing new industrial capacities in basic sectors and infrastructure, also improving technical and entrepreneurial capacities (Ffrench-Davis, 2004). Most of them were concentrated in Santiago (Chateau and Pozo, 1987).

The state occupied a primal role in stimulating, financing, and establishing basic industrial sectors such as steel, electricity and oil. On the other hand, the government used several protectionist instruments to make the internal market grow, including price control of those basic goods, subsidies, loans to diverse productive and service activities, and the control of the currency rates (Espinoza, 1988). Using momentum generated in

the early 1930s, numbers of additional state industries were created for providing energy and basic intermediate products. In parallel, the formerly financial foreign private capital turned into the activation of the industrial sector using already existing skills and know how, creating in fact more productive capacity than the state agencies of development. The increasing state control of copper production and the unprecedented state monetarist monopoly opened many possibilities for the state to plan economic and social development, despite the relative backwardness experienced in the agricultural sector during the period (Ffrench-Davis, 2004) that reinforced rural-urban migration (Camus and Hajek, 1998). A domestic Keynesian approach was also vital, as by 1940, he Popular Front increased salaries in 20%. The Chilean ISI was also supported by an invigorated state bureaucracy and also succeeded in reinforcing democracy by expanding people's political participation (Espinoza, 1988).

The end of the World War II marked the beginning of a decline. By 1952, the dependence to the imports in technology became evident. Despite the multiple protectionist barriers to primary assets, the already existent barriers for importing intermediate goods were uninstalled, with the exception of oil, iron and steel. This obviously reinforced the historical Chilean dependency to the North, first, to its commodities, and second, to the international technology market (Salazar, 2003; Salazar and Pinto, 1999a). The growing social demand superseded the available state resources extracted from the copper production. By the mid 1960s, the state was unable to cope with the 'promise' of modernity and welfare. An hypertrophied state would become more vulnerable to the volatility of the masses and in last instance, to the military power of deliberation (Salazar and Pinto, 1999a). The military coup in 1973 ended the process of ISI in the country, beginning a new era of dictatorial radical economic liberalisation.

La Victoria: Probably the first *campamento* in Chile. It is located in the southern peri-centre of the GSMA, in the core of what today is Pedro Aguirre Cerda *comuna*. La Victoria *población* was one of the most severely attacked working-class enclaves during the military dictatorship (1973-1990). This thesis' fieldwork was to a great extent based on La Victoria.

Law of Municipalities: *Ley Orgánica Constitucional de Municipalidades* (LOCM), passed in 1994, it legalised the already existing functional and administrative structure of municipalities in Chile (Gobierno de Chile, 2004).

LGUC, *Ley General de Urbanismo y Construcciones*: National Law of Planning and Construction. Passed in 1931, it can be considered the first properly technical, universal and multisectoral regulation of urban plot subdivision and city growth (Gurovich, 2000). Its major contribution was the prescription that every municipality with a population of more than 8,000 inhabitants should have a local master-plan, in order to control urban sprawl and the chaotic distribution of land uses.

In 1953, following international experiences like Abercrombie's London Plan, Costa's Brasilia, Bardet's sociological-territorial school and CIAM, the planners of the Ministry of Public Works deeply reformed the LGUC, reshaping its competences over territorial planning at three different levels: a) national planning system and regional plans; b) inter-municipal master-plans (developed only after late 1950s) to regulate sprawling cities, urban areas shared by two different *comunas* or cities under processes of conurbation; c) local master-plans. According to the 1953 version of the LGUC, local plans would have to define minimum standards for the development of residential, economic, industrial and recreational land uses, definitions of the quality of the buildings to produce and limitation of sprawl through urban perimeters. These guidelines came to fill a vacuum in the Chilean legislation, but usually acted after facts, when sprawl and developments have already taken place (Hidalgo, 2000). The law would be again deeply modified under military dictatorship in 1976 and received additional minor modifications during democracy, whilst its By-Law (OGUC) would be modified successively in 1970, 1976 and 1992.

Macro-zone: *Comunas* of the GSMA grouped under similar characteristics, such as average household income, population growth rate and so on. See Appendix 2 for spatial analysis of macro-zones in Santiago.

Marginality, Theory of: Probably the main political and ontological approach to development by the Centre for Latin American Social Development (DESAL), created by the Jesuit Roger Vekemans, greatly influential in the Chilean reformist Christian

Democratic government and its project of Revolution in Freedom (1964-1970). By 1964, the newly elected government's and DESAL's diagnoses agreed with the Theory of Modernisation as follows: progress means modernisation thus social structures should be developed in order to make the modern world to receive the marginal masses.

Authors like Quijano argued that there is a close relation between economic dependency and marginality. Vast 'marginalised' social groups were those that could not meet with the labour structure and societal norms imposed by a dependent, increasingly technical domestic system of production. Therefore, dependency engendered marginalisation (Quijano, 1967, 1968).

The poor were defined by this theory as individuals incapable of producing culture or as masses which only after a deep learning process would be capable of receiving it. Marginal people were conceived as dangerous, a threat to social stability (Jelin, 2004), also supposed to be incapable of self deliberation, being described not only as internally atomised but also disabled to overcome their limitations by themselves. The marginals were also supposed to be source of traditionalist, male-centred ways of life (Safa, 2004). Therefore, the only way for the 'marginal' world to become acceptable and legitimate by the state, was to be functional to the developmental goals set by the central power, otherwise it would be banned or considered out of the social system and flung to the extremes of society (Piña, 1987).

The ultimate explanation for the origin of the marginal sectors was one: immigrants, either from the countryside or smaller towns. Immigration and ecological marginality appeared as independent variables affecting cultural attributes of urban people, like psychological anomie, deviant behaviour and/or political apathy. The theory associated marginality to a cultural environment related to the traditional rural world, an urban subculture with different levels of difficulty to adapt to the urban life, or even originated in the juxtaposition of the Hispanic world into the indigenous one (Salazar and Pinto, 1999b). The Theory of Marginality explained the poor's supposed conformism, fatalism and passivity as typically traditional attitudes. The term 'marginal' was also associated with *poblador*, whilst the latter became at the same category level than 'worker' or 'peasant'. Furthermore, spatial localisation was supposed to be correlative with the concentration of marginal people: central areas in decline, and especially spontaneous

peripheral settlements and suburban planned low-income estates, although they represented different levels of integration to the urban life.

Yet this theory neglected the relation between life conditions and position in the productive apparatus. As Castells argued, given that 'marginals' were situated

> in available fiscal lots of little value in Santiago's fringes, it seemed obvious to call them 'marginal', since they were 'in the margins' [… But n]obody realised that the brand new luxurious residences located for instance in *Las Condes* were at same or greater distance to the centre. Obviously the urban amenities, accessibility available, the car, made the latter self sufficient and permanent houses in this city-society, around which the new barbarians were camping. (Castells, 1974: 250)

Subsequent research demonstrated there were not relevant differences, in term of misery, access to the means of communication or urban life in general, between non-marginal and the alleged marginal poor people. Castells (1974, 1985a) also demonstrated that there was no correlation between the people living in the margins of Santiago with the supposed characters that were associated to them: illiteracy, rural immigrants, informal employment, and so on. On the contrary, at this time, *callampas* and *campamentos* in Santiago hosted people with broad ranges of occupations and social positions, whereby social, economic, and cultural heterogeneity were dominant features. And in many cases, the impoverished dwellers came from other parts of the same city but not rural areas. His conclusion was soundly clear: urban marginality does not coincide with occupational marginality, but it is consequence of the official systemic incapacity to respond to the needs of most of the lowest-income sectors. Moreover, the high social and spatial heterogeneity among the supposedly marginal people made the concept even more blurred. From the late 1960s, the Theory of Marginality was subject of academic and political contestation, essentially from the Marxian-oriented political thinking that reached the government of the country in 1970.

MINVU*, Ministerio de Vivienda y Urbanismo*: Ministry of Housing and Planning, founded in 1966 during Eduardo Frei's government. Since its creation, MINVU had responsibilities in housing and urban planning, namely: a) centralised management of every plan in the territory; b) the Municipal Assistance Plan (PAM) that sought to underpin technical apparatuses, especially in non-metropolitan municipalities, closed in 1973; c) to lead the metropolitan (inter-*comuna*) processes of planning and configuring

a National Urban Policy (Pavez, 2006). The latter was not achieved until 1979, under radically different neoliberal principles though (see sub-section 3.6.2). Currently, MINVU's structure comprises seven different divisions, among which the *División de Desarrollo Urbano* (DDU, Urban Policy Division) is key for the short- and long-term spatial planning in the cities of the country, with an entrepreneurial orientation nonetheless.

Mode of Regulation (MOR): First proposed by the French School of *Regulation*, the concept refers to a property, inherent to a local social system, that avoids (or slows down) entropy within a regime of accumulation (Biel, 2007), but also to a structure that sooner or later leads to crises. A MOR is a stable process of social equilibrium, not historical norm but an exceptional phenomenon unlikely to develop. A hypothesis suggest that it took almost twenty years, in the 1990s, to stabilise economic relations and promote sustained growth in important part of the western world through a new mode of regulation, namely neoliberalism, that essentially contradicted the former one (Goodwin and Painter, 2005).

MORs are specific to every national historical construction. Key elements of regulation are: a) the existence of a certain infrastructure (cultural basis), b) an active state apparatus, and c) to have class contradictions resolved or controlled (Gertler, 2000c, d). Urban space and state institutions specifically oriented to the production of the former also appear as key elements in the provision of sufficient conditions for the achievement of a mode of regulation. A MOR mitigates contradictions and promotes social reproduction during a certain period before being destabilised by a successive crisis. The latter can be triggered by several causes: a) own systemic contradictions, b) its replacement by a different MOR, or c) "the regulatory process becomes an object of regulation in its own right" (Goodwin and Painter, 2005: 182). A good example of the latter is the several national crises that took place after the rolling-back of the Keynesian state and its managerial practices (formerly essential part of the Fordist MOR) into flexible and fragmented forms of local governance imposed by neoliberalism (Gregory, 2000). The crisis of Fordism fractured the political compromise between workers and

owners[7], in the relation between salary and productivity gains, and – probably most crucial – in the balance between the aggregate productive capabilities of the economy and the aggregate purchasing power of the workers, as consumers (Gertler, 2000b).

Modernisation, Theory of: Deeply rooted in the World Bank initial developmental agenda, just after the World War II (Frediani, 2006), 'modernisation' was defined as universal values of progress which the most developed capitalist societies in the world should be examples of. According to this theory, economic, political and technological sectors are keys for social development. Although 'modernisation' has also many implications for sociology, economy, architecture, and other disciplines, in the context of Latin American urban development, this idea was central for establishing an industrialising developmentalism (i.e. the need of integrating and educating workforce). Raposo *et al.* (2005: 316) summarise the Theory of Modernisation as follows:

> Backward societies […] had no more than to implement a coherent set of policies, which generally consisted of those which, at that time, were operating in developed economies. […] the theory of modernisation replaced the class conflict (Marxian-rooted) with the opposition and juxtaposition between a structural social subsystem of modern progress and another of traditional and underdevelopment.

In the case of Chile, both the 'Revolution in Freedom' and 'Chilean Way to Socialism' of the Popular Unity agreed in the need of promoting three key axes for development: industrialisation, development and modernisation. Whilst for both governments the image of 'modernisation' was essentially urban and a key axis for the construction of the urban apparatus, for the latter socialist government, modernisation was a way to emancipate the working-class and force a further transformation of the national politico-economic structures. City and architecture were elements for a new 'modern paradise' promised by CORVI and especially CORMU, from mid 1960s until 1973.

Yet by the end of the 1960s, modernisation, as axiom, clashed with the unleashed agency of the social movements. These forces contested the many forms of normalised economic and social participation predicted by the theory, and, among other effects, led to the development of *campamentos* in the city. Theory of Marginality precisely aimed

[7] As seen in CHAPTER 3, in Chile the relation between workers and the state was more central for the local MOR.

at explaining this contradiction, but as seen above, its main assumptions were not totally valid for the case of Chile.

National Association of Building Firms: *Cámara Chilena de la Construcción*. Since its creation in 1951, key aspects such as the DFL2 law, the creation of MINVU, the liberalisation of the urban and housing market in 1975 and the exemption of 65% of VAT to construction firms have been highly supported by this federation. The Association of Builders also gave fierce opposition to Allende's Emergency Housing Plan (1970-1973), provoking severe shortcuts in the supply of materials and workers. Currently, it represents a highly empowered developers' and builders' union with considerably influence over the government, national parliament (see MP Escobar's speech in sub-section 3.6.3), mass media and public opinion. Aspects like deregulated urban expansion and subsidised real estate market are leitmotivs of the current Association's lobbying.

Neighbourhood Committees: *Juntas Vecinales*. Created by a law in 1954, but operative from 1964, the Neighbourhood Committees were initially conceived by the state for both improving the management of housing production and underpinning grassroots' organisation. The Christian Democratic government (1964-1970) used this resource to channel urban social movements, looking for support that at the time the government could not get from the leftist unions (Alvarez, 2007). Thus the Law of Neighbourhood Committees was used for, on the one hand, encourage social mobilisation, on the other, dilute radicalised social demands, becoming a platform of popular participation upon which the *pobladores* could sustain their mobilisation always within legal boundaries. The Committees had jurisdiction over a territory called Neighbourhood Unit (see chapters 5 and 6 for the use of this concept) and responded to Popular Promotion Councils, dependent directly to the President of the Republic. However, Neighbourhood Committees soon became more autonomous than how they were planned and often were platforms for squatter movements and *campamentos* (Espinoza, 1988). During the latest period of the military dictatorship, Neighbourhood Committees were co-opted by the authoritarian apparatus and lost credibility among the population. Once recovered democracy, they partially recovered their original importance in the popular world.

Neoliberalism: Economic model based on the assumption "that human well-being can best be advanced by the maximisation of entrepreneurial freedoms within an institutional framework characterised by private property rights, individual liberty, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices." (Harvey, 2006b: 145) Rachel Weber (2002: 520) defines neoliberalism as a "hypermarketized style of governance (ie government through and by the market) that denigrates collective consumption and institutions. It is also an ideological fetishization of pure, perfect markets as superior allocative mechanisms for the distribution of public resources. […] Although recent neoliberal policy moves draw from earlier tactics and discourses, they also refashion them in certain critical ways." In fact, neoliberalisation has evolved in such a way as to depart significantly from its original theoretical template of *laissez faire* and monetarism. The uneven and somehow chaotic geographical development of state institutions, powers and functions under neoliberalism[8] suggests that the neoliberal state may be an unstable and contradictory political form (Harvey, 2005).

Under global neoliberalism, peripheral countries stepped into patterns of international competition ushered by competitive advantages, but also became subordinated to different forms of trade and economic dependency (Watts, 2000). Chile was one of the first cases in the world were the hitherto 'revolutionary' and controversial theory of radical 'monetarism and economic shock', as Frank (1976) called it at the time, could be imposed via a persistent and pragmatic economic agenda made possible by 17 years of dictatorial military power. Precisely Klein (2007) uses the case of Chile, among many others, to prove that the dominance and evolution of neoliberalism in the western world has been usually accompanied by the application of institutionalised forms of state violence and repression, in order to frighten and silence alternative societal projects at the same time than destroying the heritage from previous Keynesian-style modes of regulation. Actually, there have been practically no cases of neoliberal imposition in the world without those 'states of shock'. As seen in CHAPTER 3, Santiago's economic and territorial reconfiguration from 1975 on is a case of this.

[8] Also, the more recent global crisis initiated in the unregulated financial/mortgage markets of the US and UK.

Nonetheless, in dialectical terms, "[t]he trajectories, potentialities, and limits of neoliberalization cannot be understood in the absence of attention to contestation. […] Dialectics of contestation are part and parcel of understanding neoliberalism's uneven ascendancy, calling attention to the inescapably political nature of these phenomena." (Leitner, Peck *et al.* 2007) Neoliberalisation implied processes of involution of the previous managerial centralized state, with rolling back and subsequent rolling out of state attributions. The latter means advanced policies of privatisation of public assets and firms, and municipalisation of services. However, recent evidence shows how alternative social movements can emerge precisely from neoliberal processes of rolling-out (i.e. the dissolution of social bonds between social communities and the state, and their replacement by processes of municipalisation) develop flexible yet more contesting ways of social development (Bondi and Laurie, 2005; Peck and Tickell, 2002), in trends that have come to be named 'actually existing neoliberalism'. The case of PAC grassroots' contestation is probably a melange of historical capacities of collective association and pragmatic defence of individual property rights, exerted by small homeowners against neoliberal municipal management.

OGUC, *Ordenanza General de Urbanismo y Construcción*: The National By-Law of Planning and Construction contains the specific building regulations of the LGUC and governs the administrative procedure, the process of urban planning, development and construction, and technical standards of design and construction in Chile. As chapters 6 and 7 show, the OGUC has a key role at preventing more adequate regulatory schemes for small-scale building and densification in Santiago's peri-central *poblaciones*.

Peri-centre, peri-central: Whilst inner city can be understood as "an ill-defined area close to the central business district in capitalist cities, usually associated with dilapidation, poor housing and economic and social deprivation" (Johnston, 2000a: 396), peri-centre is a slightly more specific concept, directly related to Latin American cities. Peri-centre means inner city, excluding the central area and its relatively immediate ring of higher development. The justification for this distinction lies in the extended usage of the term by scholars and policymakers in Chile, and its direct association to a specific macro-zone of *comunas* and neighbourhoods. Both concepts ('inner city' and 'peri-centre') respond to the socio-ecological spatial rationale and categorisations of the School of Chicago models. Both are recent target of intense processes of regeneration or

gentrification (the use of the terms depends on one's political stance). Yet the term 'inner city', being slightly more ample, is used in this thesis accordingly. See Appendix 2 for comparison of Santiago's peri-centre with the rest of geographical areas of the city.

PLADECO, *Plan de Desarrollo Comunal*: *Comuna* Development Plan. Key instrument for social, economic and cultural development at local level. PLADECOs must remain in force at least for four years, and for its preparation, several channels of citizen participation must be considered. The municipality should also be in necessary coordination with other public services, as they hire technical counterparts for the elaboration of PLADECOs, in a similar way they do for master plans. See Appendix 11 for more definition of PLADECO.

***Población*:** Although its literal translation is 'population', in Chile the term is more ample and refers to any low-income, consolidated, relatively low density residential estate.

***Poblador/es*:** People who inhabit a *población* or a *campamento.*

Popular Front: *Frente Popular*, centre-left coalition that ruled the country between 1937 and 1941, a key force that channelled the already existing material conditions (but did not created, as it is commonly believed; see Salazar, 2003) for national import-substitution industrialisation, under a capitalist, highly state-subsidised mode of regulation, close to Keynesianism. The Popular Front was in fact an alliance between the national bourgeoisie and the unions and parties representing initially miners and a variety of workers from small industries, manufactures and later industries and services. But the 'Popular Front' model was also international, promoted by the Communist International as a measure to confront fascism, and had been practiced in the Spanish Republic. Whilst the model did not work in many places, it succeeded in Chile because the relevant parties already existed: Radical (national bourgeoisie with a social-democratic orientation), Socialist and Communist, Democratic and Radical Socialist parties, as well as social organisations like the Confederación de Trabajadores de Chile (CTCH), the unified Mapuche movement and the feminist Chilean Emancipatory Women's Movement (MEMCh).

Popular Housing Fund: *Fondo de Vivienda Popular*. Between 1936 and 1953, this public initiative financed projects with the 25% of the return from taxes to the real estate market, plus incomes from employers that paid 5% of their net profit to the Fund. Given the unstoppable growing housing shortage and the reproduction of *callampas* in Santiago, the Fund was replaced in 1953 by the more technically efficient CORVI.

Popular Unity: *Unidad Popular*, first democratically elected Marxist-socialist government in the world, composed by a coalition of Socialists, Communists and Social-Democratic parties. The Popular Unity was led by Salvador Allende, who governed the so-called Chilean Way to Socialism from November 4th 1970 to September 11th 1973. The politico-economic agenda of the Popular Unity was internally to radically reduce the social gap, improving production and distribution whilst, externally, its goal was to advance towards a greater political and economic autonomy of Chile through two deep changes: first, by reinforcing a radical nationalisation of the commodities produced in the country (up to then greatly owned by foreign firms, mainly from the US); second, by nationalising means of production, namely underperforming industries and service suppliers. In September 11th, 1973, the UP was overthrown by a military coup d'état headed by General Augusto Pinochet.

Populism: As result of the structural limitations of the Keynesian-inspired mode of regulation that took place in Chile from the 1930s until the early 1950s, populism was a safety valve that rested in increased but satisfied social demand without real social participation in the state apparatuses. Populism can be thus seen as the use of particular socioeconomic advantages for incorporating the popular sectors into a system of domination; hence, populism is antithetic to popular. The latter aims autonomic working class agency whilst the former weakens it (Moulian, 1997). Some authors argue that the Chilean mode of regulation stepped into a populist phase from the 1950s to 1973, in order to resolve the contradictions of an exhausting model of regulations based on import-substitution industrialisation. Yet there is still a debate about if the short-lived, highly revolutionary project of the Popular Unity was actually 'popular' or 'populist'. The key seems to lay in the inclusion of the masses and its representatives into the power structures of the state, which during the Popular Unity was only partially accomplished.

PRIS, *Plan Regulador Intercomunal de Santiago*: The 1960 Greater Santiago Master Plan was an unprecedented, technically complex attempt of state control of the territorial growth of Santiago. For the first time a centralised planning system sought to control urban sprawl (to be absorbed through planned multinuclear suburban growth), the construction of new roads, the development of manufacturing agglomerations in the inner city, supply networks and sewage systems (Ponce de León, 1996). PRIS comprised a micro-regional and a metropolitan level of planning, and zoned residential, industrial, commercial, transport, open spaces, among other activities.

Privatism: According to the Merriam-Webster Dictionary (2005), privatism is "the attitude of being uncommitted to or avoiding involvement in anything beyond one's immediate interests". Sociologically, the transit from a collective social order into privatism implies that the public sphere reduce its importance while the pursuit of personal or family interests acquires more relevance. The replacement of any form of collectivism by the private realm is so essential to neoliberalism, that it is the element probably most explicitly addressed by Milton Friedman in one of his original theorisations (Friedman, 1962). Essentially, under privatism, the citizen becomes client (Pratt, 2000)

PULSO: Consultancy firm hired by Santiago Regional Office of MINVU and Pedro Aguirre Cerda municipality in order to develop a new local Master Plan in the *comuna*, between 2003 and 2005. PULSO's top-down, entrepreneurial First Draft developed between 2003 and 2004 was opposed by most PAC residents for it implied widening excessively the rent gap in the *comuna* and facilitated its accumulation by large scale developers. PULSO later produced a much more conciliatory Final Draft, which in turn was rejected by the municipality (see chapters 5 and 6).

***Reforma Urbana*:** National urban development programme launched in 2000, consisting of a number of proposals seeking to reform the way MINVU coordinates urban planning in Chile (Tala, 2003b). Most projects, programmes and initiatives of urban redevelopment, including a broad strategy for peri-central urban renewal, are allegedly part of the *Reforma Urbana*. During the government of President Bachelet (2006-2010), the concept of *Reforma Urbana* lost importance.

Revolution in Freedom: *Revolución en Libertad*. Political project led by the Christian Democratic government in Chile (1964-1970; see Appendix 3) and supported by the US – Alliance for Progress that aimed national social emancipation without subverting the political and economic roots of the hitherto existing capitalist, Keynesian-inspired mode of regulation. The project was based on deep conceptions of social and economic modernisation without subverting the structure of private property of the Chilean commodities or means of production. The sole exception to the latter was the national Agrarian Reform, started in 1962 but seriously intensified from 1966 onwards.

Santiago's Inner Ring Project: Launched in 2001 as a comprehensive, state-led operation to cleanse and renew the so-called Iron-Belt of Santiago, hitherto a vast derelict industrial zone since the 1970s which roughly coincides with the zone of decay identified in Figure 4.5 (CHAPTER 4). Whilst initially the Ring was based on proposals from four national university teams, comprising high- and mid-density new housing, commercial uses and a numbers of emblematic projects (MINVU, 2003), it was soon downgraded only to particular interventions such as the transformation of *Zanjón de la Aguada* canal into a thematic park (Allard and Rosas, 2007) to be finished in 2010 (Rojas, 2007) with practically zero intervention in the 13 inner city *comunas* considered from the beginning (PAC included). Similarly to CPB, the *Parque de la Aguada* has been funded with central-state public resources (MINVU, 2008a).

***Santiaguino*:** A person who lives in, or comes from, Santiago.

SEG, Socio-Economic Group: a statistical classification for market research which groups population in five categories, based on two variables: 1) level of education of the household's head and 2) number of assets owned by the household (from a maximum of ten). From higher to lower, the Chilean Socio-Economic groups (SEG) are: ABC1, C2, C3, D and E. SEG are usually associated to certain ranges of income level, having also great correspondence with the forms of socio-spatial distribution in Chilean cities (see CHAPTER 4 and Appendix 2 for spatial analysis of this). ABC1 corresponds to the top 11.3% of Greater Santiago's population, C2 is 20.1%, C3 is 25.3%, D is 34.5% and E is 8.5% (ADIMARK, 2000, 2004).

SEREX: Private consultant firm attached to the Catholic University, appointed to produce Lo Espejo *comuna* urban Master Plan, from 2003 to 2005, the same time when PULSO developed PAC Master Plan.

SERVIU*, Servicio de Vivienda y Urbanización*: Housing and Development Service. Public agency created under the dictatorship in 1975 and operative until now. SERVIU absorbed CORVI and its functions, being gradually rolled-back into a scheme of mere administration of the delivery of the social housing vouchers (Sugranyes, 2006).

***Sitio Residente*:** One of the modalities of housing upgrading allowed by the FSV programme, based on *in situ* densification or replacement of an old dwelling in a plot.

***Sueldo Vital*:** Minimum monthly salary, a measure of minimum income in a household. In 1966, almost 17% of households in Santiago earned less than one *sueldo vital*, 50% earned between one and two, almost 20% earned three, and only 3.3% of the national population earned more than four *sueldos vitales* (Garcés, 2002). This reflects the highly polarised income structure in Santiago in the 1960s, and the impossibility of numbers of people to access to the official channels of housing provision during that decade and also the two following ones.

TRANSANTIAGO: Metropolitan Transport Plan of Santiago, in full operation since February 2007. Transantiago is an attempt by the Chilean state to control the traditionally privately-led, unregulated public transport system of the GSMA (which was regulated by the state until 1979). The plan sought to transform the transport network of the city, up to then comprised by thousands of operators, into one state-controlled regime of ten private suppliers (organised by macro-zones), a brand new network of bus lines integrated with the Metro system and a unified system of tariffs. Whilst the private-public rationale is close to entrepreneurialism (especially in the role assumed by the state at absorbing the economic risks and social costs of the project), the outcome aimed is similar to Colombian 'Transmilenio' Transport Plan. Nevertheless, shortly after the implementation of Transantiago, the plan denuded several pitfalls: poor coverage in peripheral and peri-central areas, excessive time delays, lack of control over some deficient suppliers, lack of coordination between lines. These elements generated enormous chaos and social unrest in the city during 2007, also generating a latent

political crisis to the government which only started to be solved in the next year, based on a noticeable increment of its initially planned budget. During 2007, the organised grassroots organisations of Pedro Aguirre Cerda, after several months of negotiation with the national Transport Authority, achieved a decisive improvement of the bus network in the *comuna*.

UF: The *Unidad de Fomento* (UF) is a Unit of account used in Chile that reflexes the constant adjusting exchange rate between the UF and the Chilean peso due to inflation, so that the value of the UF remains constant. By 2009, it is equivalent to US$ 36.5. In Chile, prices of land, homes and real estate financing instruments are defined at UF. The Urban Renewal Subsidy corresponds to 200 UF.

Urban redevelopment: Seen from an economic perspective, urban redevelopment is a process of reinvestment that takes place generally in a central or peri-central area, in order to achieve its subsequent revitalisation. The use of the term 'redevelopment' supposes that the space to redevelop is underdeveloped, dilapidated or has a potential ground rent being poorly capitalised, so that it needs public or private-led reinvestment. Precisely for its arguable nature (e.g. not everybody might agree with the need of 'redevelopment') the term is controversial. In Chile, it is used by developers and entrepreneurial public bodies, sometimes indistinctively, along with terms of 'regeneration', 'revitalisation', or 'urban recycling'.

Urban renewal: According to Ley (2000: 881), urban renewal are "both the process, and the result, of large-scale redevelopment of the built environment in downtown […] and older inner city neighbourhoods, typically on massive scale, and undertaken by the state, or more recently in the strategic form of a public-private partnership." Key attempts to urban renewal were undertaken by the 1960 Greater Santiago Master Plan, CORMU and more recently Santiago-Centre municipality through its private/public corporation called CORDESAN. The latter entrepreneurial model, highly successful in quantitative terms, has produced enormous revenues for the private developers operating so that it has been replicated in practically all the peri-central *comunas*, with dissimilar results though.

URSA: Urban Renewal Subsidy Area, zone under public subsidy of 200 UF for the purchase of new apartments priced at less than 2,000 UF. There are several URSAs in the country's main cities. In Santiago, the main URSA covers the central and nine peri-central *comunas* with a size of around 8,500 hectares. *Comunas* with additional small URSAs in the city are: Ñuñoa (in the centre-east affluent *Barrio Alto*), San Bernardo and La Pintana. Further *comunas* of Santiago Region with URSAs are: Buin, Talagante, Melipilla and Colina (see Figure A1). As observed in CHAPTER 5, the Urban Renewal Subsidy not only has generated ground rent increments in the peri-centre but also in peripheral San Bernardo *comuna*.

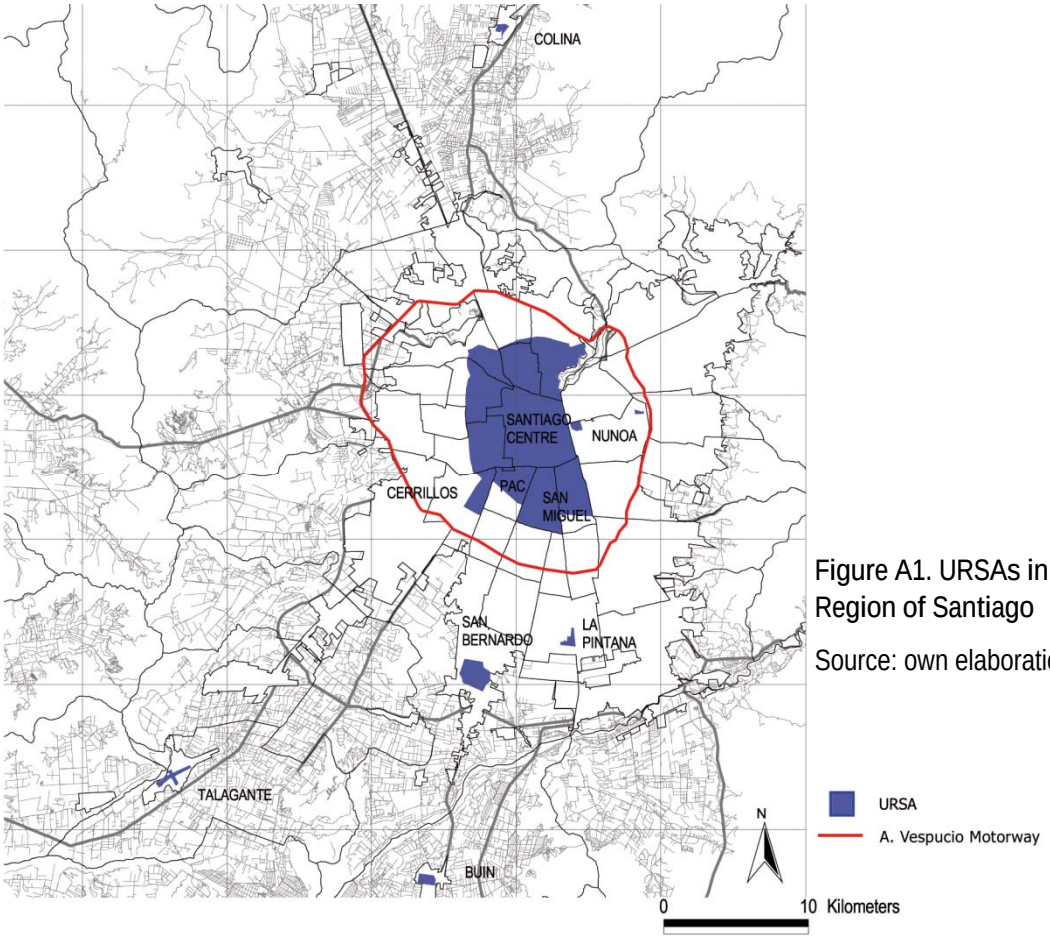


Figure A1. URSAs in the Region of Santiago

Source: own elaboration

Vicuña Mackena, Benjamín: Prolific mayor of Santiago, 1872-1875. Although of great importance in improving urban planning regulations, the mayor set up a system of segregation based on a dual city: the inner *Ciudad Propia* (own city), inhabited by a relatively affluent bourgeoisie, and the external city, inhabited by 'barbarians', were moral and physical sickness cohabited with severe environmental problems (León-

Echaíz, 1975). Two radically different kinds of policies should be applied over either part. Whilst the former should receive as much modernisation and beautification as the republican government of the late 19th century could afford, the latter should be depositary of policies of cleanse, sanitation and moral education. In fact, the mayor described Santiago's fringes as an "immense sewer of infection and vice, crime and plague, a real death field." (quoted in Romero, 1987: 210) Some of Vicuña Mackena's ideas pervaded future urban and housing operations that took place in Santiago during the 20th century, for instance Brunner's plan for urban modernisation.

***Zanjón de la Aguada*:** Water source built during colonial times for irrigating agricultural land at the South and West of Santiago. During the city's early process of industrialisation in the late 19th century, the water of the *Zanjón* started to be increasingly polluted. This channel occasionally downloaded in Mapocho River (the main river in the city) and was occupied by poor squatters who lived in its borders. By 1957, more than 15,000 people inhabited these *callampas*. After the worse of several fires occurred there, some organised squatter leaders, supported by the Communist Party, resolved to seize the La Feria land plots (hitherto owned by CORVI) and build what today is La Victoria *población*. The *Zanjón* currently represents the southern boundary between Santiago-Centre and its peri-central neighbouring *comunas*. Its course is currently subject of a project of beautification named *Parque de la Aguada* developed by MINVU (Allard and Rosas, 2007).

Appendix 2. The Peri-centre as a Macro-zone

According to López (2005), the peri-centre is a macro-zone that surrounds the metropolitan core and excludes the affluent centre-east macro-zone. The peri-centre is also separated from the periphery by the *Américo Vespucio* beltway[9] (red line in figures A1 and A2) with the sole exception of the western peri-centre, and can be sub-grouped in peri-centre north, west and south. These three macro-zones show relatively homogeneous rates of population growth, average land value and general urban morphology. Basic demographic and socio-economic characteristics (aggregated by macro-zone) are shown in Figure A2. From the 1970s onwards, due to a process of peri-central de-industrialisation and the intense state-subsidised, privately-built social housing production concentrated in the periphery, the peri-centre started a process of de-population which apparently has not slowed down since then.

Between 1992 and 2002, the peri-central macro-zones (with Santiago-Centre) showed the highest rates of depopulation in the city, contrasting with the much higher rates of population increase in the expanding macro-zones of the periphery. In terms of predominant Socio-Economic Groups[10], the peri-centre does not considerably differ from the periphery, showing averages around the groups D and E (the lowest two in the social ladder), but it considerably contrasts with Santiago-Centre *comuna* (that hosts mainly groups C2 and C3) and much more with the eastern *barrio alto* (that concentrates ABC1 groups, though with some socio-economic diversity observed in Providencia, Ñuñoa and Lo Barnechea *comunas*). Nonetheless, at a metropolitan level, the peri-centre does reflect a more advanced process of socio-spatial segregation. This is because, as Sabatini *et al.* (2001) claim, the periphery of Santiago currently experiences higher rates of inter-class proximity, with more middle- and upper-income residential enclaves located in the outskirts of the city.

[9] The metropolitan urban perimeter defined by the 1960 Plan Intercomunal de Santiago (PRIS). Right after approved, this limit came to be surpassed by successive illegal and state-led urban expansions until now (see CHAPTER 3).

[10] See definition of 'SEG' in Appendix 1-Glossary.

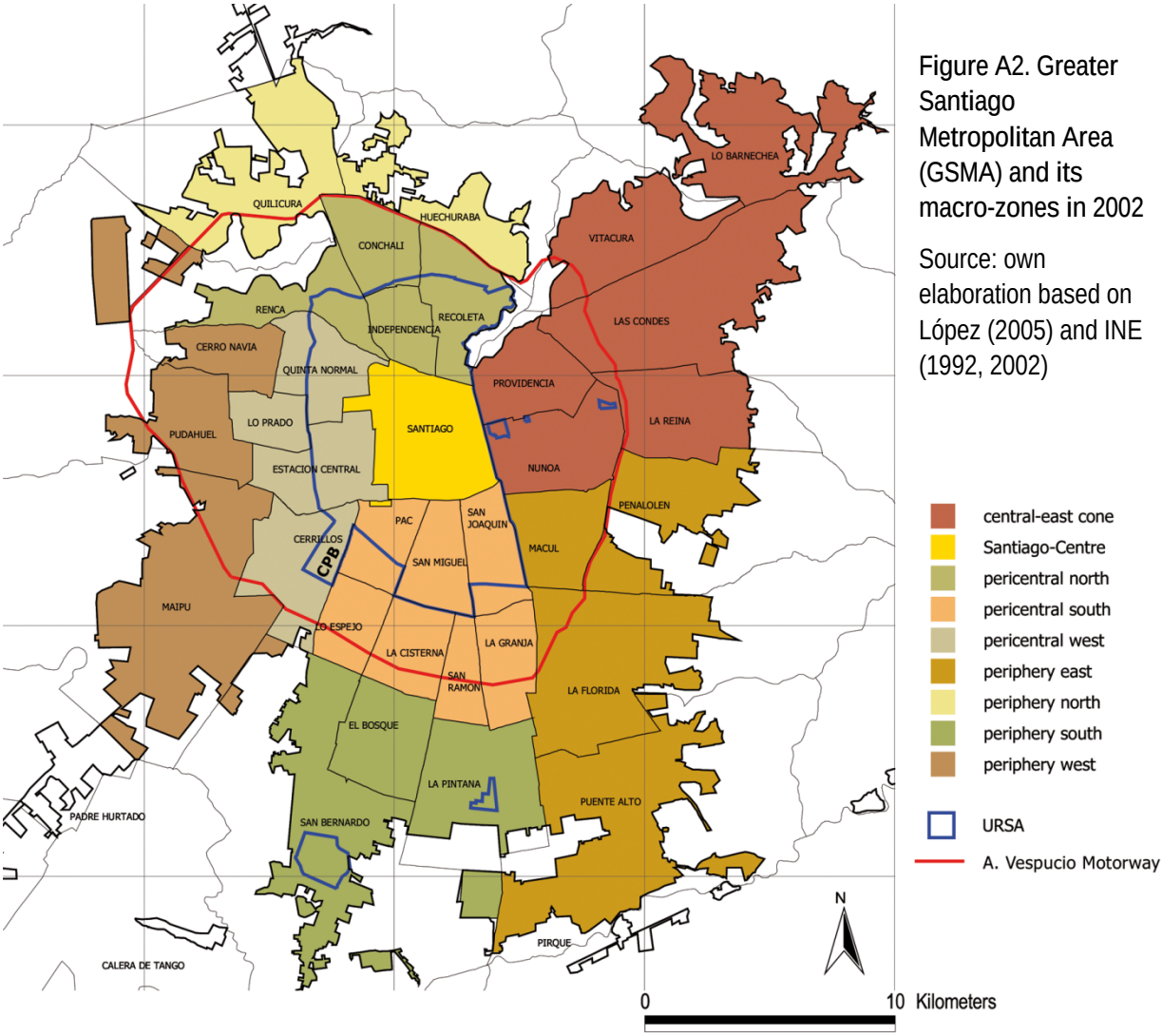


Figure A2. Greater Santiago Metropolitan Area (GSMA) and its macro-zones in 2002

Source: own elaboration based on López (2005) and INE (1992, 2002)

Macro-zone	Number of *comunas*	Population 1992	Population 2002	1992-2002 Growth Rate (%)	Demographic weight in GSMA by macro-zone, 2002 (%)	Average SEG index by macro-zone 2002 (*)
Pericentral North	4	524,452	480,473	-8	10	2.94 (D-E)
Pericentral West	4	440,827	410,628	-7	9	2.93 (D-E)
Pericentral South	7	776,116	716,401	-8	15	2.84 (D-E)
Centre	1	230,997	200,792	-13	4	3.48 (C2-C3)
Centre-East Cone	6	621,257	690,526	11	15	4.29 (ABC1)
Periphery North	2	102,905	200,588	95	4	2.97 (D-E)
Periphery West	3	550,225	812,355	48	17	2.98 (D-E)
Periphery South	3	533,351	612,441	15	13	2.80 (D-E)
Periphery East	4	884,043	1,187,184	34	25	3.19 (D-E)

(*) Indices contained in population census data (INE, 2002). See definition of SEG in Appendix 1-Glossary

Appendix 3. National Governments, 1938-2006

President	Period	Politico-economic orientation
Pedro Aguirre Cerda (1879-1941)	1938-1941	Led the Popular Front in alliance with communist, socialist and radical parties. His government promoted two axes of development: national industrialisation and social education. He started the Chilean policy of ISI, for which the creation of CORFO was key element.
Juan Antonio Ríos (1888-1946)	1942-1946	Continuation of ISI and greater impulse to CORFO as its main promoter. The coalition with the left parties finishes during his mandate.
Gabriel González Videla (1898-1980)	1946-1952	Continuation of ISI and CORFO, his government created several key national industries and founded educational centres, but had to lead with economic contraction, and legally banned the Communist Party, despite initially it had been part of the governing coalition.
Carlos Ibáñez (1877-1960)	1952-1958	Populist: vacillating transition from economic contraction recommended by IMF to Keynesian-populism and higher state expenditure.
Jorge Alessandri (1896-1986)	1958-1964	Liberal-Conservative: expansive policy, informal attempt to control inflation (shocks prescribed by the US Klein-Sacks mission) and to turn entrepreneurial classes into political power.
Eduardo Frei Montalva (1911–1982)	1964-1970	Christian Democratic: social developmentalism, attempt to rise national productive capacity without state control of the means of production. The country reached its regulatory limits by the end of the 1960s.
Salvador Allende (1908-1973)	1970-1973	Chilean Way to Socialism: increase in welfare, command-and-control and massive social participation in the economic national structure. It was overthrown in 11 September 1973.
General Augusto Pinochet (1915-2006)	1973-1990	Neoliberalisation of the housing sector via state subsidisation, defining the roots of the current Chilean economic system. This regime banned *campamentos* and de-industrialised the peri-centre.
Patricio Aylwin (1918)	1990-1994	'Protected' political democracy with continuation of the previous economic model. The production of social dwellings rose to 100,000 units a year, yet maintaining its considerably low quality.
Eduardo Frei Ruiz-Tagle (1942)	1994-2000	Continuation of the neoliberal model, more state firms were privatised. The nation initially enjoyed higher rates of growth but by 1997 the Asian crisis produced acute economic contraction. The low quality of the social housing produced several social conflicts in the winter of 1997 and the whole policy would be reformulated in the following years.
Ricardo Lagos (1938)	2000-2006	Continuation of the neoliberal model with more accents in local development. The country's economy recovers to rates of growth around 5%. *Reforma Urbana* and *Bicentenario* urban projects were launched with uneven results.

Table A1. Presidents of Chile 1952-2006

Based on Moulian (1997), Salazar & Pinto (1999a), Salazar (2003), Ffrench-Davis (2004)

Appendix 4. A model of research self-assessment

Research self-assessment was important for this thesis, not only at its final stage, but also as a constant and recursive process of self-control, especially during the phases of collecting and analysing the evidence. However, quantitative and qualitative researchers disagree about to what extent this control must be exercised over a small-N case study like the present one, without losing the exploratory advantages inherent to case-oriented research (Ragin, 1997).

The models of self assessment presented below are based on a method produced by Munck (1998) and adapted for comparing its phases with those of the present research. In the scheme below, columns at the right have been added to the original model. Although Munck's represents an 'ideal' positivistic research, its cyclical conception is useful in assessing the pros and cons of my specific research design. Every column on the left expresses a condition to be fulfilled, while the columns on the right express criteria of self-assessment conducted by the researcher. Although gray cells represent possible research methodological limitations of this study, these pitfalls are justified by the inherent constraints of single-case study methods.

THE RESEARCH PROBLEM	
1. Relevance I: The 'real' world	YES
2. Relevance II: The scholarly literature	YES
3. Testability: Can it be studied?	YES

THE MODEL OR THEORY	
4. Falsifiability: Can it be wrong?	YES, although falsibility is interpreted here as 'reinterpretation'
5. Logical consistency: Is it internally consistent?	YES (there are no internal contradictions in the theory)
6. Conditional independence I: Does it avoid the problem of endogeneity?	YES (the biggest 'independent' variable is exogenous: the State)
7. Leverage: How much does it explain?	Little, but it constructs 'typological theorisation'
8. Omitted variable bias: Does it exclude relevant variables?	NO
9. Efficiency: Does it include irrelevant variables?	NO. The development of CSM dismisses irrelevant variables

THE POPULATION	
10. Unit homogeneity: Are the cases comparable?	Not applicable. This is Single Case Study
11. Conditional independence II: Do the cases avoid the problem of endogeneity?	YES (the independent variable is exogenous: State)

CASE SELECTION	
12. Indeterminacy I: Are the number of cases and observations sufficient?	Clearly NOT, but justified by limitations of a PhD
13. Indeterminacy II: Is the problem of multi-colinearity avoided?	Maybe NO (State and Private agents could be affecting each other)
14. Intentional selection: Is selection bias avoided?	YES, as much as a case-oriented 'rare' case allows

DATA COLLECTION	
15. Validity: Do the measures measure what they are supposed to measure?	NO important 'measures' are done, but CAUSAL OBSERVATIONS
16. Reliability: Would the same data-collection process always produce the same data?	NOT necessarily, but this is justified by case-oriented approach (Ragin, 1992, 1997)
17. Replicability: Can others reproduce the process through which your data was generated?	YES. In a general sense, this Case Study could be replicated; however, interviewees and answers could differ

DATA ANALYSIS	
18. Summarising historical detail with a focus on the outcome to be explained.	YES. Chapters 3 and 4 are aimed to this
19. Estimating and reporting case selection bias and uncertainty.	A certain level of case selection bias is admitted in rare cases analyses (Harding *et al.*, 2002)
20. Estimating and reporting measurement error and uncertainty.	YES. See conclusions

THEORY REFORMULATION AND RETESTING	
21. The level of generality question: Are theories reformulated to cover more cases?	YES, with the limited capacity of inference implied in single-case research
22. The blindness test: Is the use of 'old' data to test 'old' theories avoided?	YES. Information as recent as possible has been used

Figure A3. Circular process of quantitative self-assessment

Source: Own elaboration, based on Munck (1998)

Appendix 5. List of interviewees

Primary informants

Table A2. List of primary informants

		Name	Sector	Role	Profession	Topic discussed	Date	Hour
1	Mr	Jimmy Gonzalez	PAC Grassroots Representative	PAC resident-former student	Architecture Student	Current situation of PAC; process of new urban plan	9-Mar	15:00
2	Mr	Ivan Pincheira	PAC Grassroots Representative	Social worker in La Victoria *población*	Sociologist	General scope about La Victoria first contact to local communities in PAC	26-Mar	11:30
3	Mrs	Alicia Cáceres	PAC Grassroots Representative	Community leader La Victoria *población* - Director of the local nursery	No profession	History of La Victoria: foundation, military repression, social resistance (subjective perspective) Current situation of PAC; the new Master Plan	26-Mar	12:30
4	Mrs	Claudina Núñez	PAC Grassroots Representative	Community leader La Victoria *población* - former municipal councellor	Student public policy	Thesis' proposition (hypothesis): Her experience of living in LV and as community leader, from 1980s to the present	31-Mar	11:00
5	Mrs	Gloria Rodriguez	PAC Grassroots Representative	Community leader La Victoria *población* - Vicepresident	Secretary	History of La Victoria: foundation, military repression, social resistance (subjective perspective) Current situation of PAC; the new Master Plan	5-Apr	11:00
6	Mr	Luis Garrido	PAC Grassroots Representative	Community leader La Victoria *población* - President	Construction worker	Current situation of LV; the new Master Plan	7-Apr	11:30
7	Mrs	Luz Castillo	PAC Grassroots Representative	Community leader San Joaquin *población*	No profession	History of La Victoria: foundation, military repression, social resistance (subjective perspective) Current situation of PAC; the new Master Plan	3-May	17:00
8	Mrs	Mirta Lagos Leiva	PAC Grassroots Representative	Community leader Ochagavía *población*	Cornershop owner	History of La Victoria: foundation, military repression, social resistance (subjective perspective) Current situation of PAC; the new Master Plan	9-May	11:00
9	Mrs	Berta Alarcón	PAC Grassroots Representative	Community leader Nva. Lo Valledor-62 *población*	No profession	Current situation of PAC; the process of new urban plan Problems of delinquency, particularly in her district	11-May	15:00
10	Mrs	Eliana Arias	PAC Grassroots Representative	Community leader Davila *población*	No profession	Current situation of PAC; the process of new urban plan	14-May	16:00

11	Mr	Gerardo Martínez	PAC Grassroots Representative	Community leader Villa Centenario *población*	Public service - Retired	History of La Victoria: foundation, military repression, social resistance (subjective perspective) Current situation of PAC; the process of new urban plan	16-May	17:00
12	Mrs	Erna Saavedra	PAC Grassroots Representative	Community leader Villa Numancia *población*	No profession	Current situation of LV and process of future renewal	24-May	11:00
13	Mrs	Ljubitza Del Rio	PAC Grassroots Representative	Community leader Villa Numancia *población*	No profession	Current situation of LV and process of future renewal	24-May	12:00
14	Mr	Roberto Villar	PAC Grassroots Representative	Community leader Alessandri *población*	National Railways worker - retired	Current situation of LV and process of future renewal	24-May	16:00
15	Mrs	Lidia	PAC Grassroots Representative	Community leader Las Lilas *población*	No profession	Current situation of PAC; the process of new urban plan	25-May	16:30
16	Mr	Luis Aguilera	PAC Grassroots Representative	Community leader Villa Los Maitenes *población*	Taxi driver	Current situation of PAC; the process of new urban plan	25-May	18:00
17	Mrs	Francesca Clandestino	Technical community advisor	Colegio de Arquitectos-Community advisor	Architect	CPB-subjective perspective from a technical perspective Current situation of PAC; the process of new urban plan	19-Mar	15:00
18	Mr	Mario Alvarez	Technical community advisor	Independent professional	Architect	CPB-subjective perspective from a technical perspective Current situation of PAC; the process of new urban plan	11-Apr	17:00
19	Mr	Alfredo Rodriguez	Technical community advisor	SUR Consultores NGO	Architect	CPB-subjective perspective from a technical perspective Current situation of PAC; the process of new urban plan	27-Mar	11:00
20	Mr	Juan Saavedra	PAC Local Government	PAC Mayor	Sociologist	Municipality's standpoint of new urban plan in PAC technical and official perspective for urban development in PAC	25-Apr	11:00
21	Mrs	Beatriz Estate	PAC Local Government	PAC Urban Advisor	Architect - MSc urban planning	Municipality's standpoint of new urban plan in PAC technical and official perspective for urban development in PAC	25-Apr	11:00
22	Mrs	Gilda García	PAC Local Government	Director of Construction	Architect	Municipality's standpoint of new urban plan in PAC technical and official perspective for urban development in PAC	2-Apr	13:00
23	Mrs		PAC Local Government	Director of GIS	Geographer	Current situation of PAC; the process of new urban plan PAC Cartographies		
24	Mrs	Clara Arditi	PULSO-Consultants	Chair of PULSO	Architect - MSc urban planning	CPB-subjective perspective from a technical perspective Current situation of PAC; the process of new urban plan	4-May	10:00

Secondary informants

Table A3. List of secondary informants

		Name	Sector	Role	Profession	1st Topic discussed	Date	Hour
1	Mr	Javier Wood	Central Government	Regional MINVU-Chair of Planning	Geographer	Thesis' proposition (hypothesis) Instruments of redevelopment; impact in pericentral area	19-Mar	11:00
2	Mrs	Ana Devia	Central Government	MINVU-Governmental Urban Observatory	Sociologist	Instruments of redevelopment; impact in pericentral area Social effects of urban renewal in central areas	18-May	10:00
3	Mr	Camilo Arriagada	Central Government	MINVU-Ministry Advisor	Sociologist	Thesis' proposition (hypothesis) Instruments of redevelopment; impact in pericentral area	16-Apr	16:00
4	Mr	Dante Pancani	Central Government	MINVU-Chair of Housing programmes evaluation	Social worker	Thesis' proposition (hypothesis) Current state subsidies for modest housing densification	24-May	14:00
5	Mr	Eduardo Bresciani	Central Government	MINVU-Chair Central Urban Development Agency	Architect - MSc urban planning	Thesis' proposition (hypothesis) Instruments of redevelopment; impact in pericentral area	12-Apr	9:00
6	Mrs	Elvira Guerrero	Central Government	Regional MINVU-Chair Urban Plans	Architect	Instruments of redevelopment; impact in pericentral area	10-Apr	10:00
7	Mr	Héctor López	Central Government	MINVU-Ministry Advisor	Architect	Instruments of redevelopment; impact in pericentral area	4-Apr	9:00
8	Mr	Juan Morales	Central Government	SERVIU-Housing programmes designer	Architect	Thesis' proposition (hypothesis) Current state subsidies for modest housing densification	23-May	11:00
9	Mr	Nelson Morales	Central Government	MINVU-Regional Ministerial Secretary	Sociologist - PhD Urban Planning	Thesis' proposition (hypothesis) Instruments of redevelopment; impact in pericentral area	17-May	9:00
10	Mr	Sergio Galilea	Central Government	CEO *Ciudad-Parque Bicentenario* (CPB)	Engineer	structural aspects of the project social effects in adjacent *comunas*	10-Apr	10:00
11	Mrs	Francisca Galvez	Central Government	SERVIU-Housing Subsidy Programme assessor	Architect	Current state subsidies for modest housing densification	23-May	10:00
12	Mr	Jaime Carrasco	Central Government	CPB site administrator	National Airforce - retired	cerrillos outlook fieldwork visit	9-May	15:00
13	Mr	Sergio Leon	Central Government	MINVU-Chair Urban Observatory	Architect - MSc urban planning	Instruments for densification – SERVIU general apprach to peri-central development	15-May	14:00
14	Mrs	Alexandra Peterman	Corporative interest	Building sector – National Association of Building Firms representative	Economist / PhD urban planning	Thesis' proposition (hypothesis) Instruments of redevelopment; impact in pericentral area. Debate about urban expansion in Santiago	26-Apr	11:00

15	Mr	Pilar Gimenez	Corporative interest	Building sector – Chamber of Builders representative	Architect - MSc urban planning	Instruments of redevelopment; impact in pericentral area. Debate about urban expansion in Santiago	2-May	10:00
16	Mr	Pablo Contrucci	Corporative interest	CORDESAN - past CEO	Architect - MSc urban planning	Instruments of redevelopment; impact in pericentral area Urban Renewal Programme (subsidy, area of application, experience) in detail	16-Apr	16:00
17	Mr	Ricardo Posada	Corporative interest	Largest developer operating in CPB	Developer	The process of urban redevelopment in *Ciudad-Parque Bicentenario*	9-Apr	18:00
18	Mr	Jorge Domeyko	Local Government	Urban Planning Chairman-Estación Central Municipality	Architect - MSc urban planning	His experience within CORDESAN and urban renewal in Estación Central *comuna* Case specific conflict-orientation to other informants	3-Apr	9:30
19	Mr	Juan Avila	Local Government	Urban Planning Chairman-Quinta Normal Municipality	Architect - MSc urban planning	His experience with urban renewal in Quinta Normal *comuna* To detect possible case of study within QN (rejected)	27-Mar	15:30
20	Mr	Alvaro Escobar	MP	National Parliament Urban Development Committee – Independent affiliation	Actor	CPB-subjective perspective from a political perspective forms of pressure exerted to MPs from private sector (possible corruption too)	5-Apr	17:00
21	Mr	Patricio Hales	MP	Parliament Urban Development Committee – PPD Party	Architect	CPB-subjective perspective from a political perspective Possible forms of urban redevelopment for peri-central areas	17-Apr	15:00
22	Mr	Miguel Lawner	Independent professional	Chair of CORVI during the Popular Unity government	Architect	History of La Victoria: foundation, military repression, social resistance Spatial aspects of first planning of LV.	22-May	15:00
23	Mr	Patricio Hermann	NGO	Agrupacion Defendamos la Ciudad	No profession	CPB-subjective perspective from a technical perspective	20-Mar	10:30
24	Mr	Josef Van Der Rest (SJ)	NGO	Jesuit priest. Director *Hogar de Cristo* 'Un Techo para Chile' Housing Programme	Priest	CPB-subjective perspective from a technical perspective CPB-subjective perspective from a technical perspective	18-May	13:00
25	Mr	Jorge Rodríguez	Scholar	Researcher in CELADE-UN ECLAC	Sociologist - Demographer	Policy of regeneration-demographic implications Social effects of urban renewal in peri-central areas from demographic standpoint	13-Apr	10:00
26	Mr	Luis	Scholar	PUC's Urban	Geographer -	Social effects of urban renewal	25-	12:15

		Fuentes		Observatory	MSc urban planning	in central areas.	May	
27	Mr	Alberto Gurovich	Scholar	Professor FAU-U. de Chile	Architect	Thesis' proposition (hypothesis) History of peri-central area; Social effects of urban renewal in central areas.	4-Apr	16:00
28	Mr	Alfonso Raposo	Scholar	Professor FADU-U. Central	Architect	Thesis' proposition (hypothesis) History of peri-central area and state agencies for social housing (CORVI-CORMU)	28-Mar	15:30
29	Mr	Hugo Romero	Scholar	Professor FAU-U. de Chile	Geographer - PhD geography	Thesis' proposition (hypothesis) History of peri-central area; Social effects of urban renewal in central areas.	21-Mar	10:00
30	Mr	Jonás Figueroa	Scholar	Professor -U. de Santiago	Architect - MSc urban planning	Thesis' proposition (hypothesis) Social effects of urban renewal in central areas.	28-Mar	12:00
31	Mr	Jorge Ortiz	Scholar	Professor FAU-U. de Chile	Geographer - PhD geography	Thesis' proposition (hypothesis) Social effects of urban renewal in peri-central areas from demographic standpoint	23-Mar	11:00
32	Mr	Mario Torres	Scholar	Lecturer FAU-U. de Chile	Architect	Thesis' proposition (hypothesis) Social effects of urban renewal in central areas.	22-Mar	15:00
33	Mr	Pablo Allard	Scholar	Lecturer Catholic University- Chairman PUC's Urban Observatory	Architect - MSc urban planning	Thesis' proposition (hypothesis) Social effects of urban renewal in central areas.	11-May	17:30
34	Mr	Ricardo Tapia	Scholar	Lecturer FAU-U. de Chile- Housing Institute (INVI)	Architect	Thesis' proposition (hypothesis) Social effects of urban renewal in central areas.	29-Mar	17:30
35	Mrs	Eugenia Pallarés	Scholar	Chair Postgraduate School FAU-U. de Chile	Architect – PhD Project Management	Building prices in Chile and URSA (interview by email)	14-May-2008	

Appendix 6. Semi-structured interview sheets

Semi-structured interview schedule for primary informants

Urban creative destruction and social struggle: A case of entrepreneurial redevelopment in the urban peri-centre of Santiago de Chile		
Ernesto López	DPU-UCL 2007	Date and Hour:
Interviewee's name:		Position:
Voice Recorded: Yes No	Notes taken: Yes No	Place:

The length of this interview should not exceed one and a half hours, and starts with a brief explanation by the interviewer about the research's general topic and its theoretical formulation. The interview focuses on historical and present processes of urban production, decay and redevelopment in Pedro Aguirre Cerda. The following are general topics to discuss, yet these should not be taken as rigid but flexible starting points to further conversation and analysis. Due to the heterogeneity of interviewees, emergent topics, or new issues presented are welcome, and they even could be used as further questions in successive interviews.

QUESTIONS:

1. Which of the following sectors represents you better? Municipality, private sector, state officer, social leader, local resident, professional adviser.
2. Could you explain your role in the process of redevelopment in PAC comuna?
3. What are the most positive elements you see in PAC, and/or your neighbourhood in specific? (i.e. aesthetic, history related to your life, sense of place, affordable land value, job opportunities, etc.).
4. Has been there a process of urban decline in PAC and/or your neighbourhood (effects and causes)? Since when?
5. Have changes in land value affected you in any form from 1990 onwards?
6. What is your evaluation of the central-state's intervention in the redevelopment of PAC?
7. What is your evaluation of the municipality's intervention in the redevelopment of PAC?
8. What is your evaluation of the private sector's intervention in the redevelopment of PAC?
9. Any other actor you might consider as relevant in that process?
10. What is your assessment regarding urban policies and planning instruments of redevelopment applied in PAC? (e.g. effects in land market, local jobs, transport, environment, neighbourhood's organisation, urban security, etc.)
11. What is the meaning of 'urban renewal' and 'social participation' for you?
12. Would you recommend any other possible interviewee that could provide more relevant information?

Thank you very much for your time!

Semi-structured interview schedule for secondary informants

Urban creative destruction and social struggle: A case of entrepreneurial redevelopment in the urban peri-centre of Santiago de Chile		
Ernesto López	DPU-UCL 2007	Date and Hour:
Interviewee's name:		Position:
Voice Recorded: Yes No	Notes taken: Yes No	Place:

The length of this interview should not exceed one and a half hours, and starts with a brief explanation by the interviewer about the research's general topic and its theoretical formulation. The interview focuses on historical urban process of production, decay and redevelopment in the peri-centre of Santiago. The questions should not be taken as rigid but flexible starting points to further conversation and analysis; some questions can be considered in less detail or not be asked, depending on the interviewee and the issues that might emerge from his/her discourse.

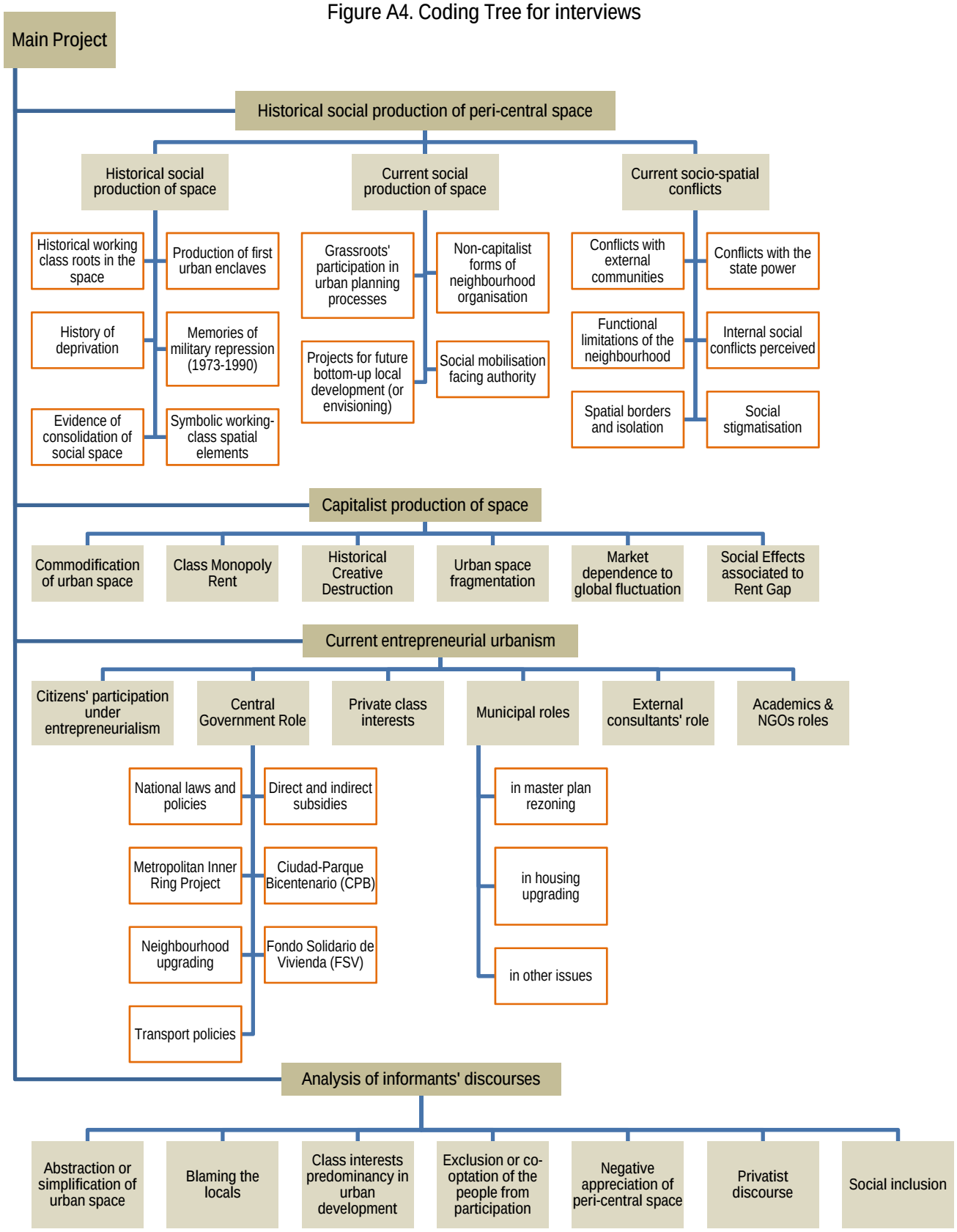
QUESTIONS:

1. In your opinion, what are the main economic and social factors that determine the decay of Santiago's peri-centre?
2. Does it exist in Chile an urban policy oriented toward the redevelopment of central and peri-central spaces? If it does, what are its main elements?
3. Do you see evolution in the current mechanisms for peri-central redevelopment, namely planning and management instruments, since 1990?
4. How is your assessment about the social and spatial effects generated by central state intervention in the peri-centre?
5. How is your assessment about municipalities' intervention in peri-central urban renewal, especially through urban planning?
6. How is your assessment about the social and spatial effects generated by the private sector (large scale property market firms) in these areas?
7. Do you consider that the current instruments of peri-central urban redevelopment are socially participative or inclusive? In what form actors are considered or not in these processes?
8. Would you recommend any other possible interviewee that could provide more relevant information?

Thank you very much for your time!

Appendix 7. Coding Tree for N-Vivo software analysis

Figure A4. Coding Tree for interviews



Appendix 8. Quantitative data used in GIS

Table A4. Description of quantitative data used

Cover name	Cover description	Name of shape	Type	Source
Urban Aerial Images	Greater Santiago Metropolitan Area (GSMA) in 2001. This image was produced from previous studies, and elaborated with more recent satellite images and aerial photography.	Several Images	Image	Military Geographical Institute (IGM)
Urban Area in the Region	Developed area of GSMA and suburban centres in 2001, subdivided by *comunas*.	AREA_URBANA_REGION	Polygon	Military Geographical Institute (IGM)
Open spaces and parks	Open spaces and parks by 2000. For its elaboration it was used a study developed by CONAMA in 1997 and Regional Office MINVU 1994.	AREAS_VERDES	Polygon	Regional Government
Comunas	Graphic definition of *comunas* comprising data about population, gender, urban-rural, age groups, level of education, etc. In urban areas, information about physical structure (height, quality of building), land use and cadastral value.	COMUNAS	Polygon	National Office of Statistics (INE)
Census districts 1992	Graphic definition of census districts by 1992, comprising data of gender, age groups, level of education, etc.	DISTRITO_CENSAL92	Polygon	National Office of Statistics (INE)
Census districts 2002	Graphic definition of census districts by 2002, comprising data of gender, age groups, level of education, etc. In urban areas, information about physical structure (height, quality of building), land use and cadastral value was added.	DISTRITO_CENSAL	Polygon	National Office of Statistics (INE)
Urban growth evolution	Urban expansion during different historical periods.	EVOLUCION_CRECIMIENTO	Polygon	SEREX - IGM
Metropolitan urban perimeter	GSMA Urban Perimeter defined according to 2007 legislation.	PRMS_LIMITE_URBANO	Line	Regional Office MINVU Santiago
Urban blocks	Graphic representation of urban blocks, it contains the most disaggregated social and urban data in Santiago. Sources are national population census and cadastral values. In terms of population, the data comprises number of residents, gender and age groups, level of education, labour occupancy, etc. In terms of housing, the data comprises housing and basic service shortage. It also covers aspects such as existing plot area ratio, plot coverage, height of buildings, plot size, age of buildings, gross urban density, etc.	MANZANAS	Polygon	National Office of Statistics (INE)
Building permits	Building permits in GSMA from 1980 to 2001, disaggregated by type of activity (residential, commercial, industrial, etc.)	PERMISOS_EDIFICACION	Point	National Association of Building Firms
Urban Area	Actually developed area of GSMA.	PLANTA_UR	Polygon	National Office

		BANA		of Statistics (INE)
Block edges	Shape of urban blocks in GSMA.	SOLERAS	Line	GEOCEN
Metropolitan road system	Main road structure in accordance with local and metropolitan plans.	PRMS_VIAL	Line	MINVU
Land price zones	Average value per years from 1990 to 2005, defined at sub-zone level.	ZCOMERC	Polygon	TRIVELLI Consultants
Urban renewal subsidy area (URSA)	Urban Renewal Subsidy Areas (URSAs) defined by Regional Office MINVU Santiago.	Z_RENOVACION_URBANA	Polygon	Regional Office MINVU Santiago
Local (*comuna*) building regulations	Zonning in accordance with current local Master Plans. This data comprises permitted land use and building regulations.	PRC_ZONA	Polygon	Municipalities
Land use	Existing land use by activity, at district level	SII USOS.SHP	Polygon	Internal Revenue Service (SII)

Appendix 9. Example of Potential Ground Rent calculation

Table A5 shows a detailed example of the calculations of Potential Ground Rent (PGR) conducted in sections 5.3 and 5.4 (tables 5.1 and 5.2 respectively). The calculation here consider as an example, a fixed plot area of 2,000 m^2, assuming that several plots have been merged, as it usually happens in large scale urban renewal. This plot area is meant to make the calculation realistic, but it does not affect the net PGR (see rows Q and R).

Table A5. Example of calculation of PGR

Key	Guideline	PAC 1 - housing at neighbourhood scale
A	Plot Area in m^2	2,000 m^2
B	Max Site Coverage	80 %
C	Max Plot Area Ratio	1.2
D	Max Plot Area Ratio incremented 30% for plot merge	1.6
E	Building capacity of the plot: (A) x (D)	3,120 m^2
F	Average size residential units with subsidy	60.5 m^2
G	Number of units allowed to be built: (E) / (F)	51.6 units
H	Average market price of residential units	1,300 UF
I	Selling price of the building: (G) x (H)	67,041 UF
J	Fixed building cost of residence	12 UF/m^2
K (*)	Building cost of parking lots	8.0 UF/m^2
L	Total building cost: (E) x (J)	37,440 UF
M	Extra selling and soft costs	30 %
N	Building cost + Extra costs: (L) x (1+M)	48,672 UF
O	Land price per m^2 (**)	4 UF
P	Total land price: (A) x (O)	8,000 UF
Q	Gross Potential Ground Rent: (I) - (N) - (P)	10,369.3 UF
R	Net Potential Ground Rent: (Q) / (A)	5.2 UF/m^2
(*) This cost is not considered in the calculation of PGR because it is usually charged to buyers as an extra price		
(**) Land has been considered at a price of 4 UF/m2, deliberately high for PAC averages		

Appendix 10. Brief history of Pedro Aguirre Cerda *comuna*'s development

Phases of development of PAC

Until the 1950s, the current Pedro Aguirre Cerda's territory consisted of large rural land plots and inhabited by employed or independent peasants. Their production was sold in the markets of the southern area of what today is Santiago-Centre *comuna*. There were also *callampas* aside the *Zanjón de la Aguada*, in the northern limit with Santiago-Centre *comuna*. During the 1950s and 1960s, there would be considerable urban growth to the extent that in 1970, the available land for urban development in current PAC territory had been reduced to 8%. In general, PAC had four phases of growth, as seen in Figure A5.

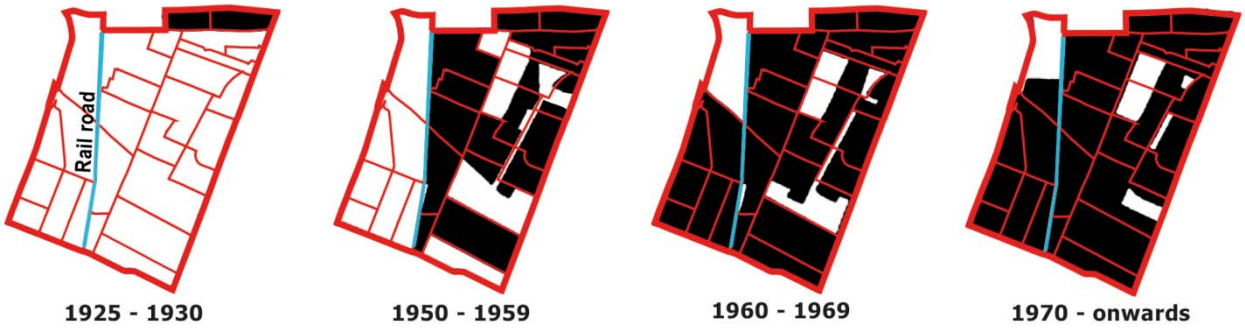


Figure A5. The four phases of development of Pedro Aguirre Cerda (PAC) *comuna*

Source: own elaboration based on SGA-IBERSIS (2000)

The first phase started in the mid 1920s and was much reinforced by the state-led import-substitution industrialisation in the city. As CHAPTER 3 examined, this generated formal and informal residential enclaves adjacent to industries, water sources and train stations, mainly inhabited by people of rural origins. In the case of PAC, the first densely populated area located in north of the *comuna* (current Neighbourhood Units 7 and 8, El Carmelo and Alessandri *poblaciones* respectively), close to Santiago-Centre downtown and at time, belonging to Santiago-Centre. The built structures in the area are currently dilapidated. Dwellings are mainly terrace-type and many were used at the time

as multi-occupied houses or *conventillos*. This area also comprised the series of *callampas* located aside *Zanjón de la Aguada* that housed around 15,000 people. Important part of these people was the original *pobladores* that participated in the squatter movement (*campamento*) that would become later La Victoria *población*.

A second, more intense phase of development occurred in the 1950s produced by the rapid increase of immigration to industrialising Santiago. This development was articulated through the action of CORVI's housing programmes in the eastern area of the *comuna*, reaching to hold 56% of the available land at the time, intended primarily for industrial workers (see Figure 3.2 in CHAPTER 3). These developments correspond to settlements located near the *Norte-Sur* motorway, and were built using similar standards to the middle-income estates of San Miguel *comuna*. The most representative of these *poblaciones* is Miguel Dávila. Also the neighbourhoods comprising San Joaquín *población* in the north of PAC were developed during this decade. Meanwhile, squatter movements started in 1957 with La Victoria and would continue over the next decade.

The third phase took place in the 1960s. The action of the state would still be important (Cardenal José María Caro *población* was completed at the beginning of this decade) but had been much replaced by squatter movements as the main driving force of urban occupation. During this period, most part of the remaining land of the *comuna* was consolidated whilst its rate of population growth reached 4% yearly. Squatters intensified in the west of the *comuna* beyond the train line, plus other remaining plots in the north. This pattern of growth would increase until 1970 with no major fluctuations, until it was halted for over a decade for the lack of available land and the dictatorial ban of *campamentos*. When the military dictatorship ended, a fourth phase of development would be initiated in 1992. Nueva Sur *población* was built by SERVIU, located between the railroad and Villa Sur *población*. Other state-built *poblaciones* were Doña Juanita, on a site originally intended to be an open space, and Villa Florencia, in 1997, in a site that used to be the large *Ochagavía* vineyards. Informal densification also occurred in the area of El Esfuerzo *población*. These developments completed the occupation of the *comuna*.

This rapid and relatively disarticulated urban growth, mainly achieved in just two decades (1950s and 1960s), is the main cause for the currently inadequate urban

infrastructure and services in Pedro Aguirre Cerda. The surrounding metropolitan motorways made PAC a relatively isolated territory, and this characteristic has been accentuated during the 1990s with the addition and upgrading of faster and newer ways in the north (*Isabel Riquelme* motorway) and west (*General Velázquez* motorway).

Administrative creation of PAC as a municipality

The municipality of Pedro Aguirre Cerda was created in 1981 through the Law 1-3260, amidst a state operation that doubled the number of *comunas* in Greater Santiago Metropolitan Area, from 16 to 32. According to that piece of legislation, which responded to the neoliberal agenda of urban spatial reconfiguration and segregation, the neighbourhoods in current PAC presented a "homogeneous demographic and socio-economic reality, also with shared similar development problems that deserved close attention from a specific and close municipal authority." The authority proceeded to separate different territories that belonged to Santiago-Centre, La Cisterna and San Miguel *comunas*. However, all of these were low-income quarters. The goal of this strategy was that the new local administration would achieve cohesion of its inhabitants. Yet these different areas of the *comuna* were officially administered by its original municipalities until 1991, when the Municipality of Pedro Aguirre Cerda would be actually in operation.

A main disadvantage soon observed in 1981 was that the resulting space did not have a proper internal configuration, with no centre and/or places of reference, and the motorways that surrounded the newly born *comuna* were in fact barriers for in- and out-displacements. Moreover, La Cisterna municipality kept most of its industries, which represented sources of local labour and municipal revenues, while San Miguel kept the best residential areas (e.g. El Llano neighbourhood), amenities and services. The resulting PAC area was also excessively narrow, thus the perimeter defined in 1981 would have to be reshaped in 1988, configuring the current 'square-shape' of PAC. With this modification, the southern boundary of the *comuna* became *Lo Ovalle* Avenue, its west boundary became the current *General Velásquez* motorway (also known as *Autopista Central*). By the north, the limit would be constituted by *Carlos Valdovinos* avenue and *Isabel Riquelme* motorway, whereas by the east, the boundary would be the *Norte-Sur* motorway.

Appendix 11. Municipalities and instruments of urban planning in Chile

The municipality and its competences

According to the Political Constitution of Chile, the Chilean state is a unity and its territory is divided in regions and provinces. For local administration, provinces are divided into *comunas*. The administration of *comunas* is assumed by municipalities. Municipalities are "autonomous corporations with legal entity and own patrimony, the aim of which is at satisfying the needs of the local community and assuring its participation in the economic, social and cultural progress of the local territory and its population" (Gobierno de Chile, 1980: 125-126). The municipality is constituted by a Mayor and a Local Council, appointed by direct election for a four-year period, renewable indefinitely. Local Councillors are elected in the same election with Mayors but on a separate ballot.

Municipalities are ruled according to the Law of Municipalities[1] (*Ley Orgánica Constitucional de Municipalidades*, LOCM) (Gobierno de Chile, 2004). This legislation states that municipalities must play decisive roles in social and urban development, and territorial planning, and be quite active in the production of local building regulations[2]. The municipal government is in turn advised by the *Consejo Económico y Social Comunal* (CESCO, Local Economic and Social Council), which is composed by representatives of the most important social organisations in the *comuna*.

According to the LOCM, Municipal functions are: a) to constitute the Local Development Plan (*Plan de Desarrollo Comunal*, PLADECO), the application of which must be coherent with the national and regional plans of social, economic and territorial development; b) local planning and regulation of the urban space of the *comuna*, elaborating the local Master Plan (*Plan Regulador Comunal*) according to the current

[1] Law 18,695, 1994.

[2] Comparatively, with lower financial or even political autonomy than the European or North American local councils though (see sub-section 4.3.6).

legislation of the nation; c) to promote social development of its local population; d) to apply national legal norms about transport and public traffic within the *comuna*; e) to apply national legislation about construction and development (mainly contained in the Law of Planning and Construction, LGUC), among other aims.

The LOCM defines the PLADECO as a fundamental driver towards the social, economic and cultural development of the *comuna*. The PLADECO must remain in force at least for four years. For its preparation, several channels of citizen participation must be considered and the municipality should be in coordination with other public services. Municipalities hire technical counterparts for the elaboration of PLADECOs, in a similar way they do for master plans.

The local Master Plan

The Law of Municipalities states that, for the fulfilment of its goals, a municipality has the attribution (among others related to education, health and environment protection) of carrying out the goals and policies contained in the Local Development Plan (PLADECO) as well as approving the local Master Plan, if the *comuna* integrates a broader territory regulated by a metropolitan or inter-*comuna* Master Plan. The latter is the case of PAC *comuna* (Gobierno de Chile, 2004).

In 1999, a detailed scheme for Master Plan elaboration and rezoning was defined by the MINVU's Urban Policy Division (DDU), namely Circular-55 (MINVU, 1999). Up to now, this circular guides Chilean planners about what the conditions of a Master Plan should be, how the plan should be elaborated and how it might work better in a 'social-market economy' like Chile's. The Master Plan is defined by this document as

> part of the *comuna* Development Strategy which sets out the main guidelines for development […] making the use of the *comuna* physical space as spatial expression of the [PLADECO] and encouraging investment decisions that seek to exploit the local qualities [of the *comuna*]. To be successful, a Master Plan should become indispensable for fuelling the local territory growth, helping the *comuna* to discover and relieve its best attributes and making the service of its own people and those who use it and/or want to adopt it as a place of residence or work. (MINVU, 1999: 4)

The Master Plan in Chile must be gradual in time and space, so that it smoothly enhances the development of a *comuna* through the planning process across its territory. The plan must also promote the following elements: a) a broad variety of land uses in the *comuna*, avoiding the concentration of exclusive functions, b) good insertion within the general urban system, c) adequate urban density in order to make the best use of the c*omuna*'s land, and d) it should decisively promote social inclusion. At this latter point, Circular-55 points out that it is important to give attention to the effects that a Master Plan can produce at fomenting or increasing social segregation. In general, as the document points out, "the experience indicates that those neighbourhoods where more diverse people coexist – in terms of their income – contribute to create more inclusive urban environments" (MINVU, 1999: 22).

A *comuna* Master Plan should refer to land use zoning, localisation of community services and amenities, parking, road structure hierarchies, densities and determination of priorities for development in cases of urban expansion. According to the LGUC (Gobierno de Chile, 2007a), its main objectives are:

1. To promote harmonious development of the *comuna* territory, in agreement with regional goals of economic and social development. To ensure adequate healthy, safety and comfort conditions in buildings and urban spaces, and to channel the functional relation between residential, labour, facilities and recreation areas.

2. To define a form of built environment organisation, foreseeing spatial requirements and location of amenities to support the various activities existing in the local space. Moreover, it should generate a morphology that adds value to the whole local space.

3. To establish rules regarding land use, community facilities and their location, parking, hierarchies of the road structure, definition of urban perimeters, urban density and intensity of land use.

The LGUC also states that the Master Plan should be basically composed by three elements. Firstly, an Explicative Report containing socio-economic aspects, demographic growth, industrial development and other technical records for sustaining

the goals of urban development in the *comuna*. This report must be approved by the municipality, its local community organisations represented by the Local Economic and Social Council (CESCO), and the regional office of the Ministry of Housing and Planning (MINVU). Its main components are: i) diagnostic and objectives; ii) description of the process of formulation of the plan; iii) technical records (study of feasibility for water supply and sewage networks in relation with the projected urban growth, transport, etc).

Second, the Master Plan should contain a local by-Law that includes building guidelines, description of the local territory and definition of the *comuna*'s boundaries. Third, there must be a set of maps to show graphically the land use zoning, location of services and amenities, the road system, *comuna* urban perimeter, urban development priority areas, and so on. The local by-Law and the maps must contain at least four elements: 1) the urban perimeter, 2) the zoning proposed, 3) special mechanisms of compensations, zones of conditioned development, etc, and 4) environmental issues to be tacked by the plan.

> Definitive zoning comes from the macro-zones and system of public spaces defined in the Draft Master Plan. Public spaces are particularly important to be zoned, because they generate the declaration of public interest [hence potential expropriations. …] The zones of the plan contain detailed and precise planning decisions with respect to locations, type and intensity of the land use, depending on the particularities of the territory and the specific objectives of the Plan. (MINVU, 1999: 51)

The Master Plan zoning defines and articulates two basic elements: the land use destiny and the land use intensity. Within the latter, aspects such as allowed urban typologies, urban density, plot area ratio, site coverage, height, set back plane, front yard line, system of grouping volumes and minimum and maximum plot sizes should be stated by the local regulation (see analysis of this in CHAPTER 5), among other environmental and security considerations.

Other issues to address in Master Plans are the adaptation of conditions emanated from plans at higher levels planning, i.e. metropolitan and regional master plans, into the space of a *comuna*. This is especially relevant for the definition of a road system, to be articulated with the road structure of neighbouring *comunas*, and the shaping of *comuna*

areas for urban renewal, according to their location in the metropolis and their potential for redevelopment.

Appendix 12. The *Fondo Solidario de Vivienda* (FSV) programme: additional information

Among other ends, the *Fondo Solidario de Vivienda* programme was meant to be highly suitable for process of small scale regeneration in already inhabited peri-central areas. To be eligible, FSV projects have to be submitted to SERVIU by organised local communities composed by 10 or more households. They also have to be technically operated by an external manager, named EGIS, which can be a small-scale firm of architecture or a social development organisation, which assists them in the application to the fund and the architectural design of the projects.

EGISs are fundamental for linking the people with the official mechanisms of housing production or upgrading, for the more they get involved in the process, the more they become experienced and better regarded by the public sector. If they perform well, EGISs have better chances for subsequent applications. Thus they have to prove able to intervene as strategic partners in a triangle also composed by the community and the state, more specifically the Ministry of Housing and Planning (MINVU), its specific branch aimed to dwelling provision, SERVIU, and the respective municipality. EGISs organise the demand, socially, administratively and technically linking society with state (Tapia, 2009).

In operative terms, an EGIS has to develop a complete proposal for the projects. In the previous more centralised housing scheme, it was SERVIU which assigned the spatial location of the beneficiaries in the metropolis, according to an assessment of every household through a global index of social needs and credit scoring. The new FSV programme is radically different. Projects origin in the people and crystallise already existing forms of association in a same place. This means that several households join and interact with an EGIS, which has to design and apply, through an external technical consultant. EGISs have also to coordinate a plan for ‘social enabling’, aimed to empower the people’s capacities with improved techniques for community life. With this purpose, SERVIU provides a set of references for better social development improvement (MINVU, 2005: 34).

EGISs have also to search for available plots in the city to locate the projects. These plots have to be ideally near the areas where their demand is originally located. That means that they act also as a new kind of social property developers, but constrained to the availability of land regulated by market rules. Furthermore, they pivot the development of the projects of architecture and surrounding environment management. SERVIU centralises the several proposals entered by local communities (through EGISs) and integrate them in a single Project Bank. When all the conditions of application are fulfilled (including the minimum required saving), and according to SERVIU's ranking, the resources are allocated to the projects.

But fundamental is the role of municipalities in the linking between the community and the central government, and obviously in the approval of the project's building permit in accordance with the local and national building regulations (Gobierno de Chile, 2006). Municipalities can act as EGISs, but they also grant 'demolition licenses' in cases of *in situ* rebuilding. Municipalities approve building permits in accordance with the national guidelines for social housing and their own local building regulations.

The *Fondo Solidario de Vivienda* programme consists of three types of 'solutions' for *in situ* development, plus one for acquisition of new residence in a different place. The three *in situ* development types are: a) dwelling building, b) densification and c) construction of a new unit. The funds allocated for any of the three modalities of densification range between 280 and 330 *Unidades de Fomento*, or UF. The variability of this numbers is due to the type of solution but not the location of the projects in the city. For the latter factor, there is an extra mechanism of subsidisation which is analysed below.

The FSV programme is oriented to 'households in poverty condition' and is composed by FSV-1 and FSV-2. Although both programmes share similar characteristics, FSV-2 allows applications at any time of the year (walk-in system), since it is oriented to households with slightly more saving capacity. The FSV-2 also assists applicants in the purchase of new or second-hand dwellings at any time of the year. Additional private financial credit is allowed in both modalities, provided this funding comes from recognised institutions (MINVU, 2008b).

Both modalities share the following features: applicants must be heads of households, older than 18, living in poverty conditions (this can be assessed through the National Index of Social Poverty 'CAS', an instrument of constant updating, largely utilised for resource allocation in Chilean social programmes), single people older than 60, disadvantaged people, ethnic indigenous people, or people benefited by the Report of Political Prisoners and Torture[1] (MINVU, 2005: 4).

Additional support from municipal or private sources can be given cash, through works, infrastructure or by providing land, if the ownership of the latter is to be legally registered on behalf of the occupants. The FSV scheme releases households of being in debt for years and even decades, since FSV does not require additional credit thus people do not have to pay mortgages. This is probably the most important difference with the previous scheme of the Chilean housing policy. The funding of FSV-1 projects can also be complemented with two (of a total of three) additional central-state funding aimed at improving location and infrastructure (Gobierno de Chile, 2005), such as:

1. Since September 2006, an extra Subsidy for Improving Location. This funding underpins the purchase of land for projects, larger than 150 units, located inside the urban perimeter of cities with a population of more than 30,000 inhabitants. The location had to be accessible by sewage networks, with good access to a public way and public transport, close to health and educational centres (nurseries and primary schools). Furthermore, 60% of the applicants should come from the same *comuna* where the project is to be allocated. The amount of this extra subsidy varies according to the public cadastral value of the land and the planned density of the projected estate, but it can be up to 150 UF per unit. The only restriction is that, after granted the subsidy, the dwellings cannot be sold for 15 years. Nevertheless, according to Mr. Morales, the number of these subsidies for improving location in Greater Santiago Metropolitan Area (GSMA) has been hitherto lower than expected.

[1] A list of people who was victim of human right violations during the military dictatorship and are currently eligible for state-funded compensation (Comisión Nacional sobre Prisión Política y Tortura, 2004).

2. An extra Subsidy for Urban Amenities finances infrastructure and neighbourhood improvement, with 5 UF per household. Subsidies of location and amenities do not require application. SERVIU just allocates these funds after assessing every case.

3. An extra Subsidy for Initiatives, consisting of 7 UF granted to households that completed an extra saving amount of 0.5 UF. This is optional funding for neighbourhood improvement.

As observed, the two FSV schemes are highly flexible and adaptable to a broad kind of cases across the country and cities.